

REQUEST FOR PROPOSALS
FOR
ONLINE LOTTERY GAME SERVICES
AND
LOTTERY GAMING SYSTEM AND SERVICES

Tennessee Education Lottery Corporation

October 3, 2003

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ATTACHMENTS

- A – Vendor Certification Form
- B – Proposal Signature and Certification Form
- C – Contract Compliance and Financial Disclosure Form
- D – Authorization for Investigation Form
- E – Consent Form
- F – Ticket Paper Specification
- G – EBO Forms

PART I - GENERAL INFORMATION

1.1 INTRODUCTION

Legislation creating the Tennessee Education Lottery Corporation (“TELC”), the governing body of the Tennessee lottery, was signed into law on June 11, 2003. In accordance with that legislation, entitled the Tennessee Education Lottery Implementation Law (the “Act”), Tenn. Code Ann. § 4-51-101 et seq., the TELC must act for the benefit of the people of Tennessee through the operation of a lottery and strive to maximize net lottery proceeds in order to fund various state educational programs.

The purpose of this Request for Proposal (“RFP”) is to invite responses (“Proposals”) from vendors in the lottery industry (“Vendors”) for the implementation and operation of a fully integrated lottery gaming system and a statewide telecommunications network and the provision of online lottery game services and associated lottery management services (collectively, the “System”). The System is to include equipment and services required to implement and maintain both the instant game system and the online game system for the TELC. It is the TELC’s desire to select a single Vendor that is able to provide a comprehensive approach and solution to its gaming operations. The TELC intends to execute only one contract as a result of this procurement (the “Contract”), if any Contract is executed at all, encompassing all of the products and services contemplated in this RFP, and Proposals shall be evaluated accordingly. An RFP is being used by the TELC to take maximum advantage of the design capabilities, implementation knowledge and operational knowledge of the marketplace for the design, implementation and operation of the TELC’s instant and online lottery games and operations. All Vendors must fully acquaint themselves with the TELC’s needs and requirements and obtain all necessary information and understandings to be able to develop an appropriate solution and to submit responsive and effective Proposals.

The Tennessee Education Lottery Corporation is an instrumentality of the State of Tennessee. It plans to employ approximately 300 people

statewide and have approximately five district offices by the start-up of instant ticket sales in February 2004. The TELC is committed to maximizing revenues for specific education programs in Tennessee by providing entertaining lottery products and quality customer service to retailers and players, while maintaining its integrity and the integrity of its games.

The TELC requires that instant ticket sales begin on or before February 10, 2004; thus, all components of the System must be in place, fully operational and tested prior to that date. The TELC requires that online ticket sales begin on or before April 10, 2004; thus, all of the online lottery game products and services must be in place, fully operational and tested prior to that date. The TELC will begin with instant ticket price points at \$1, \$2, \$3, \$5 and \$10 and plans for the Vendor that is selected by the TELC to provide the goods and services contemplated by this RFP (the “Successful Vendor”) to develop and implement software and do all things necessary to enable the TELC to offer the following online games during the course of the Contract:

- CASH 3
- CASH 4
- MEGA MILLIONS or POWERBALL
- LOTTO SOUTH (or a similar Lotto-style game)
- FANTASY 5
- MONITOR GAMES

The Successful Vendor will be required to develop and implement software for up to three (3) monitor-style games. The TELC’s retailer base at start-up is expected to be approximately 4,000 and may be expanded up to 10,000 during the term of the Contract. Thereafter, based on subsequent developments and sales, the retailer base may be expanded. Additionally, the TELC plans to staff and operate five (5) prize payment centers throughout the State of Tennessee.

1.2 TELC OBJECTIVES

All responses to this RFP shall reflect the following overall goals and objectives of the TELC:

- To acquire a System that fully integrates instant games, online games and all related administrative systems and services that will suit the requirements of the TELC now and in the future;
- To make prize payouts of at least fifty percent (50%) of the amount of money from the actual sale of lottery tickets;
- To annually increase revenue to Tennessee's "Lottery for Education Account";
- To market high quality products that provide entertainment and customer satisfaction;
- To ensure that the lottery receives services from Vendors who are financially sound and experienced and who maintain favorable reputations within the lottery industry for contract performance;
- To ensure that the Successful Vendor is capable of providing the services called for in this RFP, and that the Successful Vendor will be capable of continuing to provide those services during the term of the Contract;
- To ensure that the System is fully operational and installed on or prior to February 10, 2004 supporting all instant ticket game functions in all retail locations of retailers approved by the TELC two weeks prior to start-up;
- To ensure that all aspects of online ticket operations are fully operational and installed in retail locations and that online tickets are available for sale to the public on or before April 10, 2004;
- To ensure meaningful minority representation and a commitment to nondiscrimination, in accordance with the Act;

- To provide for innovation and the ability to respond to changes in the industry and the demands of the marketplace;
- To obtain the highest quality goods and services at the most competitive price; and
- To start up and operate the TELC as one of the most successful lotteries in the world, while maintaining its security and integrity.

1.3 SUCCESSFUL VENDOR/TELC RELATIONSHIP

The nature of this RFP and the Contract that will result from this procurement will result in a relationship between the Successful Vendor and the TELC, which relationship must be founded on mutual trust and respect. The Successful Vendor must adopt the same attitudes and concerns towards the integrity, security and quality of the Tennessee lottery's games, financial performance, and minority participation and commitment to nondiscrimination as are held by the TELC.

1.4 GOVERNING LAW

All Proposals and the Contract are subject to the requirements of, and must comply with, the Act and the Regulations, Policies and Procedures of the TELC as they may be adopted or amended from time to time, regardless of whether or not specifically addressed in either this RFP or the Proposal. All potential Vendors shall read and be familiar with the Act and the Regulations, Policies and Procedures of the TELC, a copy of which may be obtained through a link on the TELC's web site, www.tnlottery.gov.

1.5 PROPOSAL SUBJECT TO PUBLIC RECORDS ACT AND OPEN MEETINGS ACT

All data, materials and documentation originated and prepared for the TELC pursuant to this RFP shall belong exclusively to the TELC and may become available to the public in accordance with the Tennessee Public Records Act, Tenn. Code Ann. § 10-7-101 et seq., and the Tennessee Open Meetings Act, Tenn. Code Ann. §§ 8-44-101 to

8-44-201; however, the TELC will make reasonable attempts to maintain, in accordance with all applicable laws, the confidentiality of any trade secrets or proprietary information identified by Vendors if such Vendors properly identify the particular data or other materials which are trade secrets or proprietary information in writing by page, paragraph and sentence prior to or upon submission to the TELC of the data or other materials to be protected. All markings of identification must be conspicuous; use color, bold, underlining or some other method in order to conspicuously distinguish the mark from the other text. If a portion of a Proposal is improperly marked as confidential or trade secret, the TELC may, in its sole discretion, determine it non-responsive. Do not mark the entire page if only portions of a page are protected. Vendors should also state the reasons such confidentiality is necessary. However, under no circumstance will the TELC be liable to any Vendor or to any other person or entity, for any disclosure of any such trade secret or confidential information. The TELC will not consider any Proposal which is declared, or a substantial portion of which is declared, by the Vendor submitting such Proposal to constitute trade secrets or proprietary information.

1.6 MISUNDERSTANDING OR LACK OF INFORMATION

By submitting a Proposal, Vendors covenant and agree that they fully understand and will abide by the terms and conditions of this RFP and will not make any claims for, or have any rights to, cancellation, remedy or relief because of any misunderstanding or lack of information.

1.7 REJECTION OF PROPOSALS AND CANCELLATION OF RFP; REISSUE OF RFP

Issuance of this RFP does not constitute a commitment on the part of the TELC to award or execute a Contract. The TELC retains the right, at its sole discretion, at any time to reject any or all Proposals, in whole or in part, and to cancel or cancel and reissue this RFP, before or after receipt and opening of Proposals in response thereto, if it considers it to be in the best interests of the TELC. Any Proposal that does not meet the requirements

or specifications of this RFP may be considered to be non-responsive to this RFP and the Proposal may be rejected. Any Proposal that restricts the rights of the TELC or otherwise qualifies the Proposal may be considered to be non-responsive to this RFP and may be rejected. The TELC shall have the right, at its sole discretion, to reissue or not reissue an RFP.

1.8 INCURRED EXPENSES

The TELC shall not, under any circumstance, be responsible for any costs or expenses incurred by a Vendor in preparing and submitting a Proposal.

1.9 PROPOSAL TENURE

All Proposals shall remain valid for 180 calendar days from the Proposal due date (the "Proposal Offer Period") and as provided in Attachment A to this RFP. A Proposal constitutes an offer by the Vendor to contract with the TELC in accordance with the terms of the Proposal, which offer is irrevocable for the duration of the Proposal Offer Period and may not be withdrawn or amended during the Proposal Offer Period without the written consent of the TELC.

1.10 RIGHT TO USE INFORMATION IN THE PROPOSAL

Upon submission, all materials submitted to the TELC by Vendors shall become the property of the TELC and may be used as the TELC deems appropriate.

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PART II - PROPOSAL PROCESS

Vendors are advised that all contents of this RFP and any amendments thereto, along with the Successful Vendor's Proposal and the Contract, will constitute the substantive terms and conditions, among others, of the relationship, if any occurs, between a Successful Vendor and the TELC.

2.1 CONTACT PERSON

The sole point of contact for inquiries and additional information concerning this RFP will be Will Pinkston, who can be reached as follows:

Tennessee Education Lottery Corporation
312 8th Avenue, North
27th Floor, Snodgrass Building
Tennessee Tower
P.O. Box 23470
Nashville, TN 37202
Attn: Will Pinkston
Telephone No.: 615-253-6881 Facsimile No.:
615-253-6886
e-mail address: will.pinkston@state.tn.us

2.2 PROHIBITION AGAINST UNAUTHORIZED CONTACTS

The TELC is committed to a competitive procurement process that maintains the highest level of integrity. Therefore, except as expressly contemplated in this RFP, or in connection with normal business activities not associated with this procurement, no contact or other solicitation initiated by Vendors or any person employed by Vendors, including but not limited to their attorneys, representatives or others promoting their position, will be allowed with any member of the Board of Directors (the "Board") of the TELC or with any officer, employee of or consultant or adviser to the TELC, individually or otherwise, during the application and selection process associated with this RFP. All contact and other solicitations made by a Vendor submitting a Proposal or any person employed by such a Vendor shall be directed towards the contact person identified above in Section 2.1 of this RFP. Any violation of this prohibition may result in

disqualification. Any attempt to influence any TELC employees, officers, consultants, advisors or Board members with respect to a procurement, whether such attempt is oral or written, formal or informal, is strictly prohibited and will result in disqualification.

2.3 HIRING OF TELC PERSONNEL

From the time this RFP is issued until the earlier of either (i) six (6) months after the execution of the Contract or (ii) the rejection of all Proposals received by the TELC, Vendors are prohibited from officially or unofficially making any employment offer or proposing any business arrangement whatsoever to any TELC employee, officer or Board member.

2.4 INQUIRIES

All inquiries regarding this RFP must be submitted in the form of questions or requests for clarification. Such questions or requests for clarification must be in writing and received by the contact person identified above in Section 2.1 of this RFP on or before 5:00 p.m. Central Time ("CT"), on Wednesday, October 8, 2003. Do not wait until the submission of a Proposal to raise such matters; doing so will preclude Vendors from presenting or resolving issues thereafter and may result in rejection of Proposals without recourse. Questions or requests for clarification received after Wednesday, October 8, 2003 will not be accepted, reviewed or responded to. Responses to these inquiries will be posted on the TELC's web site, www.tnlottery.gov, and notice of the same shall be communicated via facsimile to all Vendors who requested and were sent a copy of this RFP.

2.5 PROPOSAL SUBMISSION

Proposals must be received by the contact person identified above in Section 2.1 of this RFP no later than 3:00 p.m., CT, on Monday, October 27, 2003 in sealed containers. No exceptions will be made. A Vendor will submit a signed original and ten (10) reproduced copies of its Proposal. The original Proposal must be signed in ink by the Vendor's authorized agent. All copies of the cost portion of the Proposal required by Part VI must be submitted in sealed and labeled envelopes separate

from the information required by Parts IV and V of this RFP. Proposals which fail to comply with the provisions of this RFP may, at the discretion of the TELC, not be considered. Late Proposals will not be accepted.

2.6 PROPOSAL FORMAT

Each Vendor shall take steps to completely and totally familiarize itself with the requirements of this RFP. Vendors must prepare and submit Proposals following the format of this RFP. Responses are required for all numbered items in Parts IV, V and VI, and responses and signatures are required for any Attachments referenced within this RFP.

A Proposal shall be prepared simply and economically to provide a straightforward and concise but complete delineation of the capabilities of a Vendor to satisfy the requirements set forth in this RFP, in accordance with the format prescribed in this RFP. Proposals that do not comply with this format may not be considered. Proposals shall be complete and must convey all of the information requested by the TELC. The words “shall,” “must” and “will” denote material and essential requirements of this RFP. Failure to comply with any material and essential requirement may result in a rejection of a Proposal at the sole discretion of the TELC.

2.7 MULTIPLE VENDORS AND JOINT PROPOSALS

If the response submitted is a joint Proposal that includes multiple Vendors, it must define completely the responsibilities that each entity that is a part of a joint venture, strategic partnership or prime contractor team proposes to undertake, as well as the proposed responsibilities of each subcontractor of each entity. The Proposal must be signed by an authorized officer or agent of each entity. Also, the Proposal must designate a single authorized official from one of the entities to serve as the sole contact between the TELC and the joint venture, strategic partnership or prime contractor team. Any Contract resulting from a joint Proposal must be signed by an authorized officer or agent of each entity. An entity which is part of a joint venture, strategic partnership or prime contractor

team included in the submission of a joint Proposal will be jointly and severally liable during the term of the Contract.

The Successful Vendor that submits a Proposal whereby any subcontractor will provide some portion of the specifications of this RFP shall retain ultimate responsibility for all design, implementation, operation and maintenance services provided by any subcontractor and any claims or liabilities arising from or related to the subcontractor’s performance. Furthermore, each subcontractor of a Successful Vendor must comply with all of the requirements contained in this RFP. A Vendor that submits a Proposal whereby any subcontractor will provide some portion of the specifications of this RFP must also provide the information described in Part IV – “Required Information” for each subcontractor providing ten percent (10%) or more of the cost of the Contract.

2.8 CHANGES, MODIFICATIONS AND CANCELLATION

The TELC reserves the right, at its sole discretion, at any time prior to execution of a Contract resulting from this RFP, to make changes to this RFP by issuance of written addendum(s) or amendment(s) or to cancel all or part of this RFP. Any addendum(s), amendment(s) or cancellation(s) will be posted on the TELC’s web site at www.tnlottery.gov, and notice of the same shall be communicated, via facsimile, to all Vendors who requested and were sent a copy of this RFP or who have submitted a Proposal in response to this RFP.

2.9 MODIFICATION OR WITHDRAWAL OF PROPOSAL

A submitted Proposal may be modified or withdrawn by written notice received by the contact person identified above in Section 2.1 of this RFP at any time prior to the date on which Proposals are due.

A Vendor is under a continuing obligation to notify the TELC following the submission of a Proposal of any changes to the information, data or facts submitted in response to Part IV, Part V and Part VI and the Attachments to this RFP which could

reasonably be expected to affect the TELC's consideration of the Proposal. The TELC reserves the right to request additional information or clarification on the contents of a Proposal.

2.10 ADDITIONAL INFORMATION

The TELC reserves, and a Vendor by submitting a Proposal grants to the TELC, the right to obtain any information from any lawful source regarding the past business history, practices and abilities of Vendor, its officers, directors, employees, owners, team members, partners and/or subcontractors. Such information may be taken into consideration in evaluating the Proposals.

2.11 PROPOSAL EVALUATION

2.11.1 INTRODUCTION

The deadlines stated are critical. Time is of the essence. It is not the intent of the TELC to disqualify any Proposal based on minor technicalities. However, the TELC reserves the right to determine if a particular deficiency is significant enough to disqualify the Proposal. It is the intent of the evaluation procedure to determine whether each Proposal meets the needs of the TELC, as outlined in this RFP, and then to determine which Proposal best suits those needs.

2.11.2 EVALUATION COMMITTEE

The TELC intends to conduct a fair, comprehensive and impartial evaluation of all Proposals received in regard to this RFP using an evaluation committee (the "Committee") established by the TELC. Legal counsel and consultants may provide limited assistance to the Committee as needed.

2.11.3 EVALUATION PROCEDURE

The Committee will review the Proposals submitted. The Committee may request clarification of information or representations in a Proposal, address technical questions or seek additional

information regarding any Proposal before completing the initial evaluation. The Committee may conduct site visits and/or require Vendors to make oral presentations as part of this process. Requests for clarification from Vendors and any information received in response thereto will be in, and will become part of, the evaluation record. The Contract shall be awarded to the Vendor who submits a Proposal in response to this RFP and, in the reasonable opinion of the TELC, is able and is otherwise qualified in all respects to perform fully the Contract requirements without delay and has the integrity and reliability to assure good faith performance; whose Proposal conforms in all material respects to this RFP; and whose Proposal represents the best value to the TELC and offers what the TELC believes can provide the greatest long-term benefit to the State of Tennessee, the greatest integrity for the TELC and the best services and products for the public. Initially, the TELC may negotiate only with the Vendor whose Proposal is the highest rated Proposal. In the event that negotiations with the Vendor that submitted the highest rated Proposal fail to result in a Contract, or if for any other reason a Contract with such Vendor is not executed, the TELC may conduct negotiations with the second highest rated Vendor, and so forth, until a Contract is successfully executed.

When the evaluation is completed, the Committee will prepare a written recommendation to the Chief Executive Officer of the TELC (the "CEO"), who may meet with the Committee to ask questions regarding the recommendation. The CEO shall then submit the final written recommendation to the Board for the Board's consideration. The Board may approve, disapprove, amend or modify the terms of the recommendation by the CEO. Additionally, before the Contract may be awarded to a Vendor, the CEO must obtain the Board's approval of such Contract award. Immediately following approval by

the Board, the TELC shall post notice of intent to award the Contract on the TELC's web site, www.tnlottery.gov, and notice of the same shall be communicated via facsimile to all Vendors who requested and were sent a copy of this RFP or who submitted a Proposal in response to this RFP, five (5) business days prior to the Contract execution date.

The TELC shall promptly notify the Successful Vendor in writing of the Contract award. The Successful Vendor must commence work immediately following notification of the award.

2.11.4 EVALUATION CATEGORIES

In evaluating the Proposals, the Committee will be guided by various factors pertinent to the services sought as detailed in this RFP, and such factors shall include, but not necessarily be limited to, the following factors, which are not necessarily listed in the order of importance:

- Experience, including start-up experience;
- Background and financial viability;
- Marketing plan;
- Online lottery gaming operations plan;
- Lottery gaming system plan, including telemarketing, ticket ordering software and systems, ticket inventory control, management services and Internal Control System;
- Security plan;
- Proposed technical solution;
- Cost; and
- The extent to which the Vendor proposes to achieve maximum minority-owned business participation.

The criteria for the evaluation of Proposals and information regarding the Committee will be released publicly prior to opening of Proposals.

This RFP is intended to foster creative approaches to the implementation of the Tennessee lottery in all respects. The RFP process will afford a Vendor the latitude to propose its best possible solution for the TELC and will offer the TELC a wide range of alternatives and allow it to consider all possible alternatives in determining the best solution for implementing the Tennessee lottery.

The TELC shall select a Vendor that it believes can provide the greatest long-term benefit to the State of Tennessee, the greatest integrity for the TELC and the best services and products for the public, taking into consideration the evaluation factors as deemed appropriate by the Committee. The Contract shall be awarded to the Vendor who submits a Proposal in response to this RFP and, in the reasonable opinion of the TELC, is able and is otherwise qualified in all respects to perform fully the Contract requirements without delay and has the integrity and reliability to assure good faith performance; whose Proposal conforms in all material respects to this RFP; and whose Proposal represents the best value to the TELC and offers what the TELC believes can provide the greatest long-term benefit to the State of Tennessee, the greatest integrity for the TELC and the best services and products for the public.

2.12 DISPUTE PROCEDURE

All claims and disputes, including but not limited to protests related to this RFP, will be handled under the *Tennessee Education Lottery Corporation Dispute Resolution Procedures* (the "Dispute Procedures"), as adopted and/or amended from time to time by the Board in accordance with the Act. All Vendors should read and be familiar with the Dispute Procedures which are available through a link on the TELC's web site, www.tnlottery.gov. The Dispute Procedures include provisions governing the deadline for the filing of a dispute resolution request. Any claim or dispute relating to this RFP or the Contract by an aggrieved person, as that term is defined in the

Dispute Procedures, must be timely filed by delivery by hand or courier to the CEO of the TELC with a copy to the Secretary of the TELC, along with a dispute bond in the amount of \$100,000.00, for binding resolution under the Dispute Procedures. Any Vendor that submits a Proposal hereby expressly acknowledges and agrees that the Dispute Procedures represent the exclusive procedure and the exclusive forum for binding resolution of all claims, disputes, complaints and dispute resolution requests of any kind relating in any way to any RFP, bid, offer, quote, proposal or agreement entered into by the TELC and agrees to be bound thereby.

Each Vendor must carefully review this RFP and all attachments hereto, including but not limited to the proposed "Contractual Terms and Conditions," for comments, questions, defects, objections or any other matter requiring clarification or correction (collectively, "Comments"). Comments concerning RFP objections must be in writing and received by the TELC no later than October 13, 2003. This will allow for the issuance of any necessary amendments and help prevent the opening of defective Proposals upon which Contract award could not be made. Protests based on any such objection shall be considered waived and invalid if not brought to the attention of the TELC, in writing, by the deadline for answers to written questions.

2.13 SUMMARY OF KEY DATES

The TELC reserves the right to change any dates contained in this RFP, including those shown below. If changes are made, the changes will be communicated in accordance with Section 2.8.

October 3, 2003	RFP Issuance Date
October 8, 2003	Deadline for Written Questions
October 13, 2003	Answers to Written Questions Due
October 27, 2003	Proposals Due at the TELC by 3:00 p.m. CT
October 27, 2003	Proposal Opening at 4:00 p.m. CT
October 27, 2003	Commence Evaluation of Proposals
November 24, 2003	Notice of Intent to Award Contract
December 2, 2003	Contract Execution

The cost portion of a Proposal shall not be opened until after the evaluation of the technical component is completed.

2.14 PROPOSAL CONSTITUTES OFFER

By submitting a Proposal, a Vendor agrees to be governed by the terms and conditions set forth in this RFP and any amendments thereto, and further agrees that the Contract will incorporate the terms and conditions of this RFP and any amendments thereto, the Vendor's Proposal and any terms and conditions subsequently negotiated with such Vendor. A Vendor submitting a Proposal must complete and submit, as part of its Proposal, the Vendor Certification Form included as Attachment A, and made a part hereof. All Proposals shall remain valid for 180 calendar days from the Proposal due date (the Proposal Offer Period). A Proposal constitutes an offer by the Vendor to contract with the TELC in accordance with the terms of the Proposal, which offer is irrevocable for the duration of the Proposal Offer Period, and may not be withdrawn or amended during the Proposal Offer Period without the written consent of the TELC.

2.15 NEGOTIATION AND EXECUTION OF CONTRACT

A Successful Vendor under this RFP shall negotiate and execute a Contract containing such terms and conditions as shall be satisfactory to, and required by, the TELC in the sole discretion of the TELC and/or its legal counsel.

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PART III - CONTRACTUAL TERMS AND CONDITIONS

3.1 GOVERNING LAW

The procurement process, the award procedure, and any Contract resulting from this RFP shall be governed by and construed in accordance with the laws of the State of Tennessee. Any and all claims or disputes arising under or in connection with this RFP or the Contract shall be governed by the Dispute Procedures, as they may be adopted or amended from time to time by the Board in accordance with the Act. The Dispute Procedures require that any claim or dispute relating to this RFP or the Contract by an aggrieved person, as that term is defined in the Dispute Procedures, must first be timely filed by delivery by hand or courier to the CEO of the TELC with a copy to the Secretary of the TELC, along with a dispute bond in the appropriate amount, for binding resolution under the Dispute Procedures. After an initial decision, an aggrieved person may appeal the decision to the Board of the TELC. Any appeal from the decision of the Board of the TELC must be brought in the Chancery Court of Davidson County, Tennessee. The Vendor waives, to the fullest extent permitted by law, any objection which it may have to the venue of the proceeding which is brought in such court.

3.2 CONTRACT ELEMENTS

The Contract will follow the general format specified by the TELC in this RFP. The terms of this RFP, as may be amended by the TELC from time to time, and the Proposal of the Successful Vendor will be incorporated into and form a part of the Contract. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: the Contract, this RFP and any amendments thereto as well as the responses to written questions submitted by Vendors on or before October 8, 2003 and the Proposal of the Successful Vendor, all of which must comply with the Act.

3.3 AMENDMENTS

The Contract may be amended only by the signed written agreement of each party thereto.

3.4 SUCCESSORS AND ASSIGNS

Subject to the limitations on assignment contained herein, the Contract shall be binding on and inure to the benefit of the Successful Vendor, its subcontractors, successors and permitted assigns.

3.5 SUBCONTRACTING; ASSIGNMENT

The Successful Vendor is prohibited from subletting, conveying, assigning or otherwise disposing of the Contract, its rights, duties, obligations, title, or interest therein, or its power to execute the Contract to any person or entity without the prior written approval of the TELC in its sole discretion. If any portion of the Contract is to be subcontracted to a third party, such third party must comply with the requirements of the Act, the TELC, the Contract, this RFP and any amendments thereto and any other applicable law.

3.6 BACKGROUND INVESTIGATIONS

The TELC may conduct background investigations, as required by law and as it deems appropriate, of the Successful Vendor and any of its officers, principals, investors, owners, subcontractors, employees or other associates in accordance with Section 4.5 – “Background Information” of this RFP.

3.7 COMPLIANCE

The Successful Vendor shall comply with all applicable rules, procedures and regulations as adopted and/or amended from time to time by the TELC under the Act, including but not limited to the *Regulations, Policies and Procedures of the Tennessee Education Lottery Corporation*, established by the Board in accordance with the Act, and all other applicable federal, state and local laws, rules and regulations.

3.8 TERM OF CONTRACT

The Contract shall have a seven (7) year term, commencing on February 10, 2004 or such earlier start date as proposed by the Successful Vendor.

3.9 OWNERSHIP OF MATERIALS AND RIGHTS OF USE

Neither the Successful Vendor nor any of its approved subcontractors shall have any proprietary rights or interests in the products, materials, intellectual properties developed, data, documentation, approaches, systems, programs, methodologies, or concepts developed, produced or provided in connection with the services provided under the Contract. All such items, rights and/or interests shall belong exclusively to the TELC.

The TELC grants to the Successful Vendor during the period from the effective date of the Contract until the Contract expires or is otherwise terminated a non-exclusive license to use, sublicense, modify and create derivative works of software, hardware, equipment, firmware, and mask works which are owned by the TELC and created solely by the Successful Vendor or its approved subcontractors, provided such use by the Vendor is only for the purpose of performing the Contract.

The Successful Vendor grants to the TELC a perpetual, royalty free license to use and sublicense the use of any and all proprietary materials owned by it including, but not limited to, software, hardware, equipment, firmware, mask works, trademarks and service marks and used in connection with the performance of the Contract, and the Successful Vendor irrevocably grants to the TELC the necessary rights and authority to modify such proprietary materials and to create derivative works in any manner the TELC deems necessary. It is the intent of the TELC that it have control over all such proprietary materials in a manner consistent with ownership thereof. The intent of the TELC is that the TELC is able to continue to use the systems, software and equipment which is purchased under this RFP in the conduct of the lottery games, if in the discretion of the TELC it is in the best interests of

the lottery and the TELC to do so, after the expiration or termination of the Contract. A necessary component of such operations is for the TELC to have access to the source code, operational diagrams and other proprietary materials so that the TELC, or contractors engaged by TELC, if the Successful Vendor is unable or unwilling to supply upgrades, modifications or other necessary support, can perform such functions so as not to jeopardize the operation of the Lottery. The Contract will require that the Successful Vendor deposit the source code and other proprietary materials with an independent third party to be accessed by TELC in the event of expiration or termination of the Contract.

3.10 PATENTS, COPYRIGHTS, TRADEMARKS, TRADE SECRETS AND OTHER INTELLECTUAL PROPERTY

The Successful Vendor shall represent and warrant that its performance under the Contract will not infringe any patent, copyright, trademark, service mark or other intellectual property rights of any other person or entity and that it will not constitute the unauthorized use or disclosure of any trade secret of any other person or entity.

3.11 TRADEMARK AND SERVICE MARK SEARCH AND REGISTRATION

The Successful Vendor, at its sole expense, will conduct trademark and service mark searches for all game names used during the term of the Contract. Copies of all such search reports will be delivered to the TELC and its legal counsel. New trademarks and service marks developed for the TELC will be registered by legal counsel chosen by the TELC in the name of the TELC for its sole use.

3.12 INTELLECTUAL PROPERTY INDEMNIFICATION

The Successful Vendor shall indemnify and hold harmless the TELC, its officers, directors, agents, retailers and employees and the State of Tennessee, from and against any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses of any nature or kind, including,

without limitation, court costs, attorneys' fees and other damages, arising out of, in connection with or resulting from the development, possession, license, modification, disclosure or use of any copyrighted or non-copyrighted materials, trademark, service mark, secure process, invention, process or idea (whether patented or not), trade secret, confidential information, article or appliance furnished or used in the performance of the Contract.

3.13 WARRANTIES

The Successful Vendor shall warrant that it currently is, and will at all times remain, lawfully organized and constituted under all federal, state and local laws, ordinances and other authorities of its domicile and that it currently is, and will at all times remain in full compliance with all legal requirements of its domicile and the State of Tennessee.

The Successful Vendor shall warrant and agree that all systems analyses, systems design and programming pursuant to this RFP and the Contract have been and shall be prepared or done in a workman-like manner consistent with the highest standards of the industry in which the services are normally performed. The Successful Vendor further represents and warrants that all computer programs implemented for performance under the Contract shall meet the performance standards required thereunder and shall correctly and accurately perform their intended functions on the equipment supplied by the TELC or the Successful Vendor.

The Successful Vendor shall warrant and agree that it will keep all equipment in good condition and repair, and it shall make all reasonable efforts to prevent anything that may materially impair the operations thereof. The Successful Vendor shall not permit such equipment to be used in violation of any provision of the Contract, this RFP and any amendments thereto, any statute or any regulation of the TELC and shall not encumber such equipment or otherwise dedicate the use of such equipment in such a way as to compromise the ability of the Successful Vendor to perform the services provided in the Contract.

3.14 TERMINATION FOR BREACH

The TELC may terminate the Contract for any breach or default by the Successful Vendor or its subcontractors under the terms of the Contract if, within ten (10) days after the TELC gives the Successful Vendor written notice specifying a default, the Contractor has not, in the TELC's sole judgment, either cured the default or given adequate assurance that assures the default will be promptly cured and that the default will not adversely affect the timely implementation of the lottery or its continued operation. Moreover, the TELC may cancel and terminate the Contract on less than ten (10) days written notice in cases of fraud, failure to disclose information required under this RFP, submission of work product in contravention of the terms of the Contract, refusal to permit inspections authorized by the Contract, failure to establish and maintain a physical plant, ticket and distribution security program that is acceptable to the TELC, and failure to adhere to all security requirements established from time to time by the TELC.

3.15 BOOKS AND RECORDS

The Successful Vendor shall maintain its books, records and other evidence pertaining to the Contract in accordance with good business practices, United States generally accepted accounting principles (or other applicable accounting principles or policies) and records retention requirements.

3.16 AUDIT REQUIREMENTS

The Successful Vendor shall maintain documentation for all charges against the TELC under the Contract or any modifications or amendments thereto. The books, documents, papers, accounting records and other evidence pertaining to products and/or services to be provided or performed or money received under the Contract shall be maintained for a period of five (5) full years from the date of the final payment and shall be subject to audit or inspection at any reasonable time and upon reasonable notice by the TELC or its duly appointed representatives, including, without limitation, the Comptroller of the Treasury of the State of Tennessee. The

Successful Vendor shall make such materials available at its offices, and copies thereof shall be furnished to the TELC or its duly appointed representative by the Successful Vendor, at no cost to the TELC or its duly appointed representative, if requested by the TELC or its duly appointed representative. Such records shall be maintained in accordance with any applicable provisions of United States generally accepted accounting principles (or other applicable accounting principles or policies) and any other applicable procedures established by the TELC from time to time. A copy of the annual financial statements of the Successful Vendor, with an independent audit opinion expressed without reservation or qualification, shall be provided to the TELC within six (6) months of the fiscal year end. The TELC or the Comptroller of the Treasury of the State of Tennessee shall have the right to audit the records and operations of the Successful Vendor as relates to the TELC.

3.17 INDEMNIFICATION

The Successful Vendor shall indemnify and hold harmless the TELC, its officers, directors, agents, employees and retailers, and the State of Tennessee from and against any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses, including court costs and attorneys fees, which may be incurred, suffered, or required, in whole or in part, by an actual or alleged act or omission of the Successful Vendor, or a subcontractor of the Successful Vendor, or any person directly or indirectly employed by the Successful Vendor or a subcontractor of the Successful Vendor whether the claim, liability, loss, damage, cost or expense is based on negligence, strict liability or any other action or omission.

3.18 BONDS AND INSURANCE

All required bonds and insurance must be issued by companies or financial institutions which are financially rated A or better by a nationally recognized rating agency and are duly licensed, admitted and authorized to transact business in the State of Tennessee.

3.19 PERFORMANCE BOND

Contemporaneously with the execution of the Contract, the Successful Vendor shall provide the TELC with a performance bond or letter of credit from a bank or credit provider acceptable to the TELC in the amount of \$10,000,000.00 unless, in accordance with the Act, the Successful Vendor assures TELC, to the TELC's satisfaction, of the faithful performance of its obligations, by depositing and maintaining with the TELC securities that are interest bearing or accruing and that are rated by established, nationally recognized investment rating services. The amount of the performance bond or the above-noted securities may be reduced after the third year of the Contract term, at the sole discretion of the TELC.

3.20 INSURANCE

The Successful Vendor shall be required to maintain the following types and amounts of insurance during the term of the Contract:

- General liability insurance in the amount of \$5,000,000.00;
- Property insurance in the amount of replacement cost;
- Errors and omissions insurance in the amount of \$15,000,000.00;
- Automobile liability insurance in the amount of \$5,000,000.00;
- Self insurance with respect to equipment in the field; and
- Such other types and amounts of insurance as the TELC shall from time to time reasonably require.

The Successful Vendor shall provide the TELC with certificates of insurance within ten (10) days after the Contract date and evidence of any renewed bonds or insurance policies within five (5) days prior to the expiration of the then existing bonds or insurance policies during the term of the Contract.

3.21 LIQUIDATED DAMAGES

The Contract will contain provisions for the following types of liquidated damages:

- Delay in the start of the lottery;
- Delay in System operations;
- Delay in the start of a new game;
- System downtime;
- Terminal downtime;
- Delayed monitor repair;
- Insufficient Vendor resources;
- Failure to provide enhancements;
- Shortage of online ticket stock;
- Security violations;
- Failure to deliver log files;
- Untimely software additions or modifications;
- Untimely reports;
- Claimed prize tickets not approved by the TELC;
- Defective or nonconforming tickets;
- Unavailability of the telemarketing and Inventory Control System;
- Untimely or unauthorized software modifications; and
- Incomplete or incorrect game validation files.

The Successful Vendor will remit damages directly to the TELC, or at the option of the TELC, the TELC may withhold amounts otherwise due to the Successful Vendor.

3.22 FORCE MAJEURE/DELAY OF PERFORMANCE

In the event that either party to the Contract is unable to perform any of its obligations under the Contract, or to enjoy any of its benefits because of natural disaster, actions or decrees of governmental bodies, or other events of force majeure not the fault of the affected party, the affected party shall immediately give notice to the other party and shall use its best efforts to resume performance. Upon receipt of such notice, each party's obligations under the Contract shall be immediately suspended. Any such causes of delay or failure shall, in the exercise of reasonable diligence, extend the period of performance, for a reasonable period, until after such causes of delay or failure have been removed. However, if delays resulting from any foregoing causes extends for more than thirty (30) days and the parties have not agreed upon a revised basis for continuing the work at the

end of the delay, including adjustment for price, then either party, upon written notice may terminate the Contract and in due course collect monies properly due up to and including the date of such termination.

3.23 TAXES, FEES AND ASSESSMENTS

The TELC shall have no responsibility whatsoever for the payment of any federal, state or local taxes which become payable by the Successful Vendor or its subcontractors, agents, officers or employees. The Successful Vendor shall pay and discharge all such taxes when due.

3.24 NEWS RELEASES

The Successful Vendor shall not issue any news releases or participate in any media interview pertaining to this RFP or the Contract without the express prior written consent of the TELC in each instance, and then only in cooperation with the TELC.

3.25 ADVERTISING

The Successful Vendor agrees not to use the TELC's names, trademarks, service marks, logos, images, or any data arising or resulting from this RFP or the Contract as a part of any commercial advertising or proposal without the express prior written consent of the TELC in each instance.

3.26 CODE OF CONDUCT FOR SUCCESSFUL VENDOR

The TELC is an extremely sensitive enterprise because of the nature of the lottery industry and its status as a quasi-public instrumentality of the State of Tennessee. Therefore, it is essential that its operation, and the operation of other enterprises which would be linked to it in the public mind, avoid not only actual impropriety but also the appearance of impropriety. Accordingly, the Successful Vendor is expected to establish and enforce a code of conduct for all employees, independent vendors and subcontractors that will help achieve these objectives as well as follow the rules and procedures established, and from time to time amended, by the TELC.

3.27 CONSULTANTS AND LOBBYISTS

The Successful Vendor and its approved subcontractors shall disclose all written and oral agreements with all lobbyists and consultants doing work on its behalf in the State of Tennessee and before the federal government.

Any Contract with the Successful Vendor who has not complied with these disclosure requirements is voidable at the sole option and discretion of the TELC. Failure to provide the TELC with timely disclosure updates during the term of the Contract may result in the termination of the Contract by the TELC.

3.28 CONTRACT CONVERSION

It is contemplated that the TELC, prior to the expiration of the term of the Contract resulting from this RFP, will award a new contract for replacement of the System, including online lottery game services. The parties understand and agree that the TELC may utilize the last specified number of days of the Contract term, as agreed upon by the parties to the Contract, for conversion or transfer of equipment, supplies, materials, ticket inventory and functions. The Successful Vendor will cooperate fully with this process.

The continuation of games without any service interruption is of the highest priority to the TELC. Accordingly, the Successful Vendor agrees to cooperate with any subsequent new vendor to ensure the continuation, or the seamless transition, of the System, including but not limited to the telecommunications network and online lottery game services, without any service interruption.

3.29 USUFRUCT

If, for any reason other than breach of Contract by the TELC, the Successful Vendor should become unable to service the Contract resulting from this RFP, the TELC shall acquire a usufruct in all contractual items owned or licensed by the Successful Vendor in conjunction with the Contract which are necessary to provide such services.

3.30 NONDISCRIMINATION

The Successful Vendor shall covenant and agree that no person shall be excluded from participation in, or be denied benefits of, the Contract, or be excluded from employment, denied any of the benefits of employment or otherwise be subjected to discrimination on the grounds of handicap or disability, age, race, color, religion, sex, national origin or ancestry, or any other classification protected by federal, Tennessee state constitutional or statutory law. The Successful Vendor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

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PART IV - REQUIRED INFORMATION

4.1 MANDATORY COMPONENTS

The integrity of the Tennessee Education Lottery Corporation is essential. The TELC must maintain control over all functions and be assured that they are performed to provide the greatest long-term benefit to the State of Tennessee, the greatest integrity for the TELC and the best service and products for the public, all in a manner consistent with the dignity of the State of Tennessee. This RFP sets forth the minimum requirements, specifications, functions, marketing services and equipment that the TELC believes must be provided by a Vendor that is committed to the implementation of such a program.

4.2 STATEMENT OF UNDERSTANDING

Any deviation from any requirement set forth in this RFP may affect the evaluation of a Proposal and may cause its rejection as non-responsive to this RFP.

4.3 VENDOR COMMITMENT

A Vendor must sign and submit the Proposal Signature and Certification Form included as Attachment B and made a part hereof. The form must be signed by a person duly authorized to legally bind such Vendor.

4.4 VENDOR CONTACT PERSON

A Vendor shall provide the name, address, telephone number, e-mail address and facsimile number of the person to provide notification or contact concerning questions regarding its Proposal.

Until the TELC is notified otherwise by the Successful Vendor, this contact person shall serve as such to all joint venturers, strategic partners and prime contractor team members throughout the term of the Contract, if awarded and executed.

4.5 BACKGROUND INFORMATION

The TELC will investigate the financial responsibility, security and integrity of any Vendor that submits a Proposal.

A Vendor must complete and submit as part of its Proposal the Contract Compliance and Financial Disclosure Form, included as Attachment C and made a part hereof.

A Vendor must complete and submit, as part of its Proposal, for itself and all of the individuals listed in this paragraph, the Authorization for Investigation Form, included as Attachment D and made a part hereof, and the Consent Form, included as Attachment E and made a part hereof, in both cases to allow the TELC access to the criminal history of the Vendor and its employees assigned to this project. Such Authorization for Investigation Form and Consent Form shall authorize access to the criminal history of the following persons, as well as the Vendor, as applicable: (i) if the Vendor is a corporation, the officers, directors and each stockholder of such corporation (or, in the case of a publicly-traded corporation, only those stockholders known to the corporation to own beneficially one percent (1%) or more of such corporation's securities), as well as the same information for a parent corporation of such Vendor corporation if the parent corporation's shares are publicly traded; (ii) if the Vendor is a trust, the trustee and all persons entitled to receive income or benefits from the trust; (iii) if the Vendor is an association, the members, officers and directors; and (iv) if the Vendor is a partnership or joint venture, all of the general partners, limited partners or joint ventures.

A Contract resulting from this RFP shall not be entered into with any Vendor who has not complied with the disclosure requirements of this RFP. Any Contract with a Successful Vendor who has supplied false disclosure information is voidable at the option of the TELC. A Contract with the Successful Vendor who does not comply with the requirements for periodically updating such disclosures as specified by the Contract during the term of the Contract may be terminated by the TELC.

4.6 DISCLOSURE OF LITIGATION

A Vendor must include in its Proposal a complete disclosure of any civil or criminal litigation or indictment involving such Vendor. A Vendor must also disclose any civil or criminal litigation or indictment involving any of its joint venturers, strategic partners, prime contractor team members and subcontractors. This disclosure requirement is a continuing obligation, and any litigation commenced after a Vendor has submitted a Proposal under this RFP must be disclosed to the TELC in writing within five (5) days after it is filed.

4.7 SUBCONTRACTORS

For any subcontractor that comprises at least ten percent (10%) of the cost of a Vendor's Proposal, such Vendor shall disclose all of the information required by Sections 4.5 and 4.6 for such subcontractor as if the subcontractor itself was the Vendor.

4.8 FINANCIAL SOUNDNESS

A Vendor must provide adequate information to permit an evaluation of its capabilities to undertake and complete satisfactorily any Contract awarded and executed pursuant to this RFP. A Vendor must provide evidence of financial responsibility and stability for performance of a Contract of this magnitude. A Vendor must demonstrate the ability to finance the project described by the Vendor's submission and must also disclose any outside financial resources that will be utilized.

In addition, a Vendor must submit a copy of its last three (3) years financial statements that have been audited by an independent public accounting firm. A Vendor's failure to submit the requested financial statements will result in a disqualification of its Proposal.

4.9 IMPLEMENTATION PLAN SUMMARY

A Vendor must provide a summary overview and an implementation plan for the entire project being proposed. The intent of this requirement is to provide the TELC with a concise but functional

summary (the "Executive Summary") discussion of each phase of the Vendor's plan in the order of progression. While the TELC expects a Vendor to provide full details in each of the sections in other areas of the RFP relating to its plan, the Executive Summary will provide a "map" for the TELC to use while reviewing the Proposal.

Each area summarized must be listed in chronological order, beginning with the date of Contract execution, to provide a clear indication of the flow and duration of the project. A Vendor may use graphics, charts, pre-printed marketing pieces or other enhancements as a part of this section to support the chronology or add to the presentation. Any such materials must be included in the original and each copy of the Proposal.

4.10 EXPERIENCE

A Vendor, and its joint venturers, strategic partners and prime contractor team members must demonstrate overall experience in the functions described in this RFP, including System start-up and online lottery game services start-up experience, as well as that of their subcontractors. In addition, the joint venturers, strategic partners, prime contractor team members and subcontractors proposed to perform specific tasks, duties or functions must clearly document that they possess the qualifications and experience necessary to fulfill the relevant requirements of this RFP.

At a minimum Vendors must demonstrate the following:

- The ability to complete a System start-up and start-up of online lottery games;
- The ability to install and operate a System and terminals proposed for the TELC (and the Vendor should provide the lottery name as well as a contact name and telephone number where the Vendor has installed and operated such a System and terminals); and
- A commitment to support all products and services that are proposed.

The TELC reserves the right to verify all information provided via direct contact with a Vendor's, joint venturer's, strategic partner's,

prime contractor team member's and subcontractor's prior project or client personnel, and a Vendor and its joint venturers, strategic partners, prime contractor team members and subcontractors agree to provide any release necessary for the TELC to check on any previous projects. Misstatements of experience, scope of prior projects or results thereof may result in the disqualification of the Proposal.

4.11 PROJECT STAFF

A Vendor's Proposal shall include an organization diagram and a staffing plan. Key staff must be identified, the nature and scope of each person's responsibilities and duties must be outlined and detailed resumes must be provided. References to System-specific experience should be noted. Please identify any experienced start-up professionals who will be made available to the TELC for general start-up assistance.

4.12 COMPUTATION OF LIQUIDATED DAMAGES

A Vendor must propose a program of liquidated damages to cover the damages listed in Section 3.21 and provide the rationale and the computation formula used to determine the level of damage penalties that are included in this response. All proposed liquidated damages amounts shall be subject to the satisfaction of the TELC.

4.13 SYSTEM IMPLEMENTATION

The Vendor must include a comprehensive implementation plan to ensure a smooth start-up of the System and online lottery games. The TELC requires that operations not be delayed during this process.

The Vendor must propose an implementation plan that addresses, at a minimum, the following:

- Back-office system;
- Data center setups including retailer support (hotline) equipment;
- Computer hardware and software installations;
- Telecommunication network activities;

- Delivery and installation of retailer equipment;
- Software development, testing and simulation;
- Internal control system;
- Staffing requirements and commitments;
- Retailer and TELC staff training;
- Project reporting and monitoring; and
- TELC responsibilities, other than software acceptance testing activities.

The implementation plan must include a detailed timeline beginning with the Contract execution date.

4.14 COMMITMENT TO NONDISCRIMINATION AND MINORITY PARTICIPATION

4.14.1 INTRODUCTION

The Act has specific references to minority participation in the formation and operation of the TELC. The Act requires that the TELC strive to maximize participation of minority-owned businesses (as defined below) to achieve a minimum participation goal of fifteen percent (15%) through prime and second tier business contracting opportunities.

4.14.2 POLICY STATEMENT

The TELC encourages participation by minority-owned businesses. In order to achieve this goal and to provide equal business opportunities in the procurement process, the TELC encourages Vendors to contract with minority-owned businesses, including in the formation of joint ventures. This is an effort to encourage Tennessee businesses to work collaboratively with each other. The TELC is responsible for making every reasonable effort to utilize minority-owned businesses when opportunities exist and intends to provide a model for the entire State of Tennessee. The TELC will take active steps to encourage full participation of qualified, capable, competent and competitive minority-owned businesses.

In the selection of any Vendor in the procurement of goods, commodities or services, significant minority-owned business participation will be sought commensurate with the availability of such businesses in the relevant markets.

4.14.3 DEFINITIONS

“Minority-owned business” means a business, which is solely owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and controls the daily operations of such business and who is impeded from normal entry into the economic mainstream because of:

1. past practices of discrimination based on race, religion, ethnic background, or sex;
2. a disability as defined in Tenn. Code Ann. § 4-26-102; or,
3. past practices of racial discrimination against African-Americans.

Tenn. Code Ann. § 4-51-102(13).

“Disability” means a physical impairment that, in the written opinion of a person's licensed physician, substantially limits one (1) or more of the major life activities of such person and is expected to continue to exist for more than five (5) years. As used in this subdivision, "major life activities" means caring for oneself and performing manual tasks, which includes writing, walking, seeing, hearing, speaking, and breathing.

Tenn. Code Ann. § 4-26-102.

4.14.4 DOCUMENTATION OF MINORITY-OWNED BUSINESS PARTICIPATION

Given the TELC's policy regarding participation of minority-owned businesses and the express provisions of the Act, a Vendor shall carefully consider the inclusion of, and shall commit not to discriminate against, minority-owned businesses in the development of its Proposal and in assembling any joint venture, strategic partnership, prime contractor team or subcontractors. All Vendors are required to submit EBO Forms A through D, as described below and included as Attachment G to this RFP when responding to this RFP:

- **Equal Business Opportunity Form A -- Certification of Efforts**

Vendors are required to submit EBO Form A with Proposals as evidence and documentation of efforts that have been made to contact minority-owned businesses for participation as subcontractors, joint venture partners or suppliers of goods and services. Vendors are required to contact minority-owned businesses and solicit quotes for goods and services. All responses to the Vendor's solicitation should be recorded and reported.

- **Equal Business Opportunity Form B -- Minority-Owned Business Utilization Plan**

A Vendor is required to submit EBO Form B with its Proposal in order to identify all minority-owned businesses they propose to utilize in providing the goods and services included in the Proposal. Vendors may only include a proposed provider of goods or services on EBO Form B if the entity is a legitimate minority-owned business and will perform a Commercially Useful Function.

“Commercially Useful Function” means being responsible for the management and performance of a distinct element of the total work to the extent normal and customary given (a) the nature and scope of the primary contract, and (b) the distinct element of the work to be performed by the minority-owned business. The Successful Vendor will be required to finalize and submit EBO Form B prior to Contract award. EBO Form B will be incorporated into the Contract and will become a contractual obligation of the Successful Vendor. EBO Form B shall not be changed or altered after Contract award without approval from the TELC. The Vendor is required to provide written notice describing the reasons for any proposed change to the TELC and to obtain approval from the TELC of any changes to EBO Form B.

- **Equal Business Opportunity Form C -- Statement of Intent to Perform as a Subcontractor or Provide Supplies or Services**

Vendors are required to have each subcontracted minority-owned business providing goods or services complete EBO Form C certifying that it is providing the good or performing the service and that it is a Commercially Useful Function.

- **Equal Business Opportunity Form D -- Statement of Payments to Minority-Owned Businesses**

Vendors are required to record and maintain information regarding the utilization of minority-owned businesses and all other information during the performance of awarded contracts. This information shall be recorded and maintained on EBO Form D. The form is required to be submitted to the TELC each month. EBO Form D must be completed in its

entirety with information regarding the types of goods purchased from minority-owned businesses or the types of services rendered by minority-owned businesses and dollar amounts paid for their goods or services.

4.14.5 ADDITIONAL NON-DISCRIMINATION AND MINORITY PARTICIPATION REQUIREMENTS

Within two (2) business days of being notified of the TELC’s intention to award the Contract, and prior to the execution thereof, the Successful Vendor will be required to respond to the following:

- Agree that if the Contract is awarded, it will covenant specifically therein to ensure a diverse workforce, provide equal opportunities and not discriminate on the basis of race, color, religion, national origin, age, sex or disability.
- Agree to ensure and maintain a work environment free of harassment, intimidation and coercion at all work sites and provide its plan for providing a non-discriminatory work site.
- Describe its plan to continue to provide interested minority-owned businesses with adequate information about any subcontracting opportunities available in connection with this project.
- Describe its plan to continue to provide equal opportunity to minority-owned businesses when replacing or adding subcontractors and suppliers.
- Identify the efforts that have been undertaken to recruit qualified minority employees named in this Proposal and efforts that will be undertaken to recruit minority employees for positions that are not

yet filled, including outreach to educational institutions.

- Provide the percentage and the total number of the full-time positions for this project that are or will be held by minorities, and provide the number and the percentage of the above that are or will be residents of the State of Tennessee.
- Identify the percentage and the number of supervisory positions that will be filled by minority employees.
- Identify the diversity of its fifteen (15) highest paid employees and provide the total compensation for each of these positions.
- List the number and percentage of minorities that serve as members of the Successful Vendor's Board of Directors.

The Successful Vendor shall be required to attend a conference with the TELC prior to beginning work. The primary purpose of the conference will be to review the project scope and to review minority-owned business participation as outlined above and as outlined in EBO Form B.

4.14.6 MONITORING MINORITY-OWNED BUSINESS UTILIZATION

The TELC is responsible for monitoring and enforcing each Vendor's commitment to the TELC's EBO Program. The TELC reserves the right to conduct random audits of each Vendor's minority-owned business utilization.

4.14.7 NONCOMPLIANCE WITH EQUAL BUSINESS OPPORTUNITY PROGRAM

Noncompliance with any of the foregoing may result in suspension from bidding,

prohibition from contracting, cancellation of contracts or monetary penalties.

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**PART V – ONLINE LOTTERY GAME
SERVICES AND LOTTERY GAMING
SYSTEM AND SERVICES**

5.1 TECHNICAL SPECIFICATIONS

The objective of this RFP is to encourage Vendors to provide a solution for the challenges facing the TELC associated with the start-up and operation of the Tennessee lottery. Vendors should be innovative in developing their Proposals. However, the TELC also believes that Vendors should be provided with guidelines as to the functionality desired by the TELC. For this reason, the TELC has provided the specifications, requirements and functional features in this Part V of this RFP. The portions of Proposals that address the functional requirements of this RFP will provide the TELC with the information necessary to conduct a fair evaluation of the proposed technical solutions from all Vendors.

Any items that are not specifically mentioned in this RFP but which are integral to the smooth and efficient operation of the proposed services should be included in a Vendor's Proposal. Those items not specifically requested under this RFP shall be identified in the appropriate sections of the Proposal. All required supplies and materials necessary for the success of the overall operation of the Tennessee lottery are to be included in the base Proposal price, even though those items may not be specifically requested under this RFP.

5.1.1 GAMING SYSTEM

**5.1.1.1 ONLINE LOTTERY
GAMES AND
OPERATING SYSTEM**

A Vendor must describe and discuss in detail its proposed integrated solution for start-up and operation of the System and related services, including online lottery games. The Successful Vendor must procure, install, operate and maintain the required equipment and software necessary to make functional all primary and back-up data centers, claim centers located throughout the

state and the central prize claim operations. The hardware, software, terminals, game draw personal computers (PCs), monitors and communications equipment should be installed to operate efficiently and dependably and also to allow for future growth and ease of integration with third party applications and/or hardware. The Vendor must certify that the computing equipment, terminals, monitors and PCs are new and unused and meet Underwriters Laboratories or equivalent certification.

The primary data center site may be located at the TELC's headquarters or elsewhere in Davidson County, Tennessee, or a contiguous county as approved by the TELC. The Vendor may be required to lease the space for the data center from the TELC at its cost. The location of the hot backup site has not been determined; that location shall be proposed by the Vendor and must be approved by the TELC. The Successful Vendor will be responsible for all of the gaming system related costs of developing, starting, maintaining, upgrading and operating the data center and claim centers. The TELC will require the Successful Vendor to maintain and provide staffing for the primary and secondary central gaming system sites twenty-four hours a day, seven days a week. The primary and hot backup gaming systems must have a time-synchronizing mechanism to ensure that both locations are processing 100% of the transaction data.

The Successful Vendor must provide, and the System configuration must support, an anticipated load of 4,000 full service online retailer terminals at start-up with growth capacity to support up to 10,000 full service online retailer terminals and up to 3,000 mid-range (limited service) terminals, plus up to 3,000 color monitors. The terminal response time must not exceed three (3)

seconds per wager measured from the time a wager is entered until the ticket is cut.

Fail-safe operation is required at both the primary and hot backup sites. Fault tolerant hardware and software at each site will satisfy this requirement. The goals of this requirement are to minimize service interruptions, to prevent loss or corruption of data resulting from hardware or software failure and to prevent loss of processing capability resulting from component failure. The system must permit timely switching to a backup processor or site within 10 minutes maximum and must permit sales and all other gaming transactions for a minimum of twenty (20) hours per day, seven (7) days per week. The System must record all transactions processed and that information must be available to the TELC upon request.

5.1.1.2 PRIZE VALIDATION AND PAYMENT REQUIREMENTS

The Vendor must ensure that all prizes are paid in accordance with the online game rules and regulations and the prize structure defined in the instant ticket working papers. The System must allow for the validation and payment of prizes in accordance with the above rules, regulations and working papers while maintaining a high degree of integrity and security.

The Vendor must describe in detail how the proposed System will ensure the processing of prize payments in accordance with the above directives. At a minimum, the System must be able to:

- Allow same day validation of prizes for online games with draws occurring more often than once a

day or occurring earlier in the day prior to system shutdown;

- Allow dual entry of winning draw information between the Vendor and the TELC, and Internal Control System (“ICS”) winner verification, prior to setting any online draw to a “pay” status;
- Allow for varying claim periods based on the individual online or instant game features;
- Verify the validity of a ticket prior to validation; ensure that a ticket has not been previously paid or cancelled, does not fall within a blocked range (if an instant ticket), that it is presented within the required claim period and includes all required validation codes; and
- Process all online and instant ticket validations in real-time (no batching of transactions).

At the retailer level, the System should provide for the following, at a minimum:

- Cross redemption of online and instant tickets;
- Scanning of ticket bar codes via the terminal scanning device;
- Notification to retailers for authorization to pay and generate a pay receipt;
- Other appropriate validation status messages to retailers as may be determined by the TELC;
- Automatic generation of an exchange/replacement ticket for remaining draws if the ticket is a multi-draw or advance draw ticket; and

- Inquiry capability for online and instant tickets – instant ticket inquiry may be restricted to privileged terminals, as determined by the TELC.

5.1.1.3 REQUIRED SYSTEM INTERFACES

The Successful Vendor will be required to receive and process instant ticket game inventory data from the instant ticket vendor on a daily, or more frequent, basis. Additionally, the Successful Vendor will be required to provide instant pack status data and certain retailer maintenance data to the instant ticket vendor on, at a minimum, a daily basis.

Vendors must describe how they expect to accomplish these interface requirements, and detail all control and security procedures to ensure the data integrity between the two systems.

5.1.1.4 DISASTER RECOVERY PLAN

Availability of the gaming System is of utmost importance to the TELC. It is critical that Vendors be able to quickly recover from any condition resulting from loss of System availability or communication to our retailers.

Vendors must describe in detail how they expect to recover from any system and/or communications failures, including the expected responsibilities of the TELC in plan administration. The plan must include the recommended frequency for testing and the method by which the results will be communicated to the TELC.

5.1.1.5 ADDITION AND MODIFICATION OF GAMES

The Successful Vendor will add, modify and provide traditional online lottery games to the TELC for testing within one hundred twenty (120) days of mutual agreement on specifications, or as otherwise mutually agreed in writing.

5.1.2 TERMINALS, PERIPHERALS AND SUPPORT

5.1.2.1 RETAILER OPERATED TERMINALS

The terminal models proposed shall be of a size and appearance that will ensure retailer acceptance. The terminals must be new and certified by an approved laboratory such as Underwriters Laboratories. The terminals also must use open system architecture standards and industry standard communication protocols. Each terminal must have an easily operated keyboard or interactive touch screen to allow for sales, the validation and cancellation of online tickets, all instant ticket sales functions and accounting and must print reports. All terminals must allow for fixed length tickets only.

The display screen of each full range terminal must be large enough to display an entire transaction, and each terminal must provide the following features: password protection, key lock (or equivalent), selective receipt of broadcast messages, and sufficient keys to provide for at least the following functions:

- Game selection (at least ten (10));
- Play type;
- Play amounts to accommodate common wager amounts;
- Cash;
- Cancel;
- Repeat/bulk print;
- Advance day of week and multiple draws advance;

- Report;
- Reprint (last of any transaction);
- Subtotal total;
- Terminal function test key;
- Quick-pick;
- Clear;
- Training mode help;
- Promotions; and
- Bar code and UPC scanning capabilities.

Each full range terminal must accept manual wagers and play slip transactions. Play slip readers should allow for optical scanning capability. The mid-range terminals may be quick-pick only. Both terminals must validate online and instant tickets.

Each terminal must have an LED or electronic display unit provided by the Successful Vendor to display winning numbers and jackpot amounts to the player. In addition, the player must be able to see the purchase price and amount won from each terminal.

The terminals proposed may be varied to include high volume and mid-range terminals. All terminals must be capable of performing all instant ticket functions.

The Vendor must provide the bar code and UPC scan/read rates for their proposed terminal scanning/reader devices, and the bar code symbologies the device supports.

The TELC will consider other options or features proposed that will enhance retailer acceptance and use.

Retailer terminals must also accomplish the following instant game transactions: pack receipt/confirmation, pack activation, pack settlement, pack returns (full and partial) and inventory reports.

5.1.2.2 LOTTERY MANAGEMENT TERMINALS

The Vendor must provide an appropriate level of management terminals or management terminal-level access to TELC staff as will be required to perform gaming-related and back-office management related activities. These will include at a minimum one (1) each at the primary and hot backup sites for TELC personnel use and one (1) at each of the five (5) statewide prize payment offices to be staffed by the TELC. The TELC must have printing capability from all management terminals, but those located at the prize payment offices must have dedicated printers and include check-writing capability with a secured signature card.

Game management features should include, at a minimum, the following:

- Entry and confirmation of winning numbers;
- Online capability to select, sort, view and list a detailed transaction listing;
- Selectively enable or disable any or all retailer terminals' capability to sell, cancel, validate or cash tickets; and
- Selectively broadcast messages from the central system.

Back-office management features should include, at a minimum, the following:

- Application tracking and contracting;
- Retailer master file maintenance;
- Retailer accounting, including adjustments; and

- Instant game management, including game start/end, pack status changes, inventory accounting and ticket validation activities.

5.1.2.3 TECHNICAL AND OPERATIONAL SUPPORT

For the life of the Contract, the Successful Vendor shall provide technical support in the form of consultation, answering questions, assistance in diagnosing problems and providing additional hardware or software capabilities as requested by the TELC. The Vendor shall specifically describe its plan for providing this support including staff resources and physical location.

5.1.3 GAMING SYSTEM COMMUNICATIONS NETWORK

The telecommunications network and equipment is to be provided by the Successful Vendor, and the installation and operating costs for required connectivity shall be part of the base price. The telecommunications network must support data communications between all computer sites (primary, back up and TELC headquarters), online and instant game retailer locations, the TELC headquarters and district offices, the TELC sales kiosk (to be located at TELC headquarters), and the instant ticket packaging warehouse. Excluded will be the retailer's normal business line and telephone equipment.

The Successful Vendor must take the appropriate security measures to prevent unauthorized access to the network. The TELC reserves the right to assume the network at any time during the Contract period.

The Vendor should describe the recommended telecommunications

network that best meets the overall objectives of this RFP.

Vendors must provide a network design. The TELC expects Vendors to be creative in network design in order to allow for maximum flexibility, growth, throughput and cost effectiveness. Vendors must explain the network and its cost benefits to the TELC in clear detail. The proposed telecommunications network must be operational in an existing lottery jurisdiction.

Vendors will be responsible for implementing, monitoring and operating all elements of the network.

Vendors will provide the dedicated communications circuit to all online retailers.

Vendors will be responsible for coordinating interactions among any network providers and contractors that would be involved in the implementation of the network.

Vendors must describe a functional telecommunications network that will handle the immediate needs of the system and accommodate the anticipated growth in the retailer network. The network must be designed to meet the needs of the online terminals and to connect all network devices to the primary data center as well as the hot backup site.

5.1.4 ONLINE SYSTEM SOFTWARE DEVELOPMENT AND SUPPORT

The Successful Vendor will be responsible for maintaining and modifying the System software once it becomes operational and for developing future software at the request of the TELC. The TELC requires a minimum of one (1) full-time, on-site gaming system programmer and one (1) full-time lottery back-office management

system programmer for the duration of the Contract. The cost for this support must be included in the overall price.

A Vendor must describe its software change management approach to ensure the quality and data integrity of its software applications, including, at a minimum, its acceptance testing methodology and software change documentation procedures.

5.1.5 LOTTERY BACK-OFFICE MANAGEMENT SYSTEMS

The TELC will require the online Vendors to provide the following lottery back-office management systems, to encompass both online and instant game activities.

5.1.5.1 RETAILER APPLICATION AND CONTRACT TRACKING SYSTEM

The Successful Vendor's System must track and monitor incoming retailer applications. Describe the functionality and operations regarding this requirement.

5.1.5.2 RETAILER MASTER FILE

The Successful Vendor will be required to include a retailer master file as a part of its System, consistent with TELC's anticipated retailer types. Describe the functionality and maintenance of this file.

5.1.5.3 PRIZE VALIDATION AND PAYMENT SYSTEM

The Successful Vendor will provide a prize validation and payment system that will enable designated staff to validate and pay prizes of all values for both online and instant games. These functions are to be operated by the TELC's staff at its headquarters (for prizes of all values, including grand prize annuity payments)

and at five (5) lottery district offices and one (1) kiosk (for prizes valued up to \$199,999.99). For prizes paid over \$599, TELC prize checks will include IRS Form W-2G. Check printers and maintenance will be provided by the Successful Vendor.

By statute, the TELC must withhold debts over \$100 owed to any "claimant agency," as defined by Tenn. Code Ann. § 4-51-202 and in accordance with Tenn. Code Ann. § 4-51-204.

The TELC requires the following prize payment related functions:

- Validation and payment of "normal" prize claims;
- Validation and payment of grand prize annuity claims;
- Payment of prizes previously validated by retailers but not paid to players;
- Payment of prizes for tickets legitimately sold within a partially stolen or returned pack; and
- Payment of prizes with a debt setoff.

A Vendor's Proposal must describe how each of these related processes would be accomplished in its System. Describe the equipment and operational steps required, screens and reports available, data retention periods and internal controls inherent in using the System. Describe how the System handles paying multiple prizes to one player. Describe how the System interfaces with the online and instant validation files to ensure the prize payment is legitimate. Describe how periodic annuity payments are tracked and controlled. Discuss the recommended check printer with secured signature plate, its (technical) capacity, useful life, required maintenance/replacement plan, etc.

The Successful Vendor's System must ensure that tickets input for validation, of all types, are legitimate prior to payment. The TELC prefers a two-step process whereby one person first validates the prize and a second person pays/prints the prize check. Prize validation staff can perform both steps (validate and pay), but not within the same prize claim. Payments, other than for "normal" prizes, should ideally require systematic authority to "pay." Describe the controls in place to ensure that all tickets which are validated, are subsequently paid, and that they are paid only once.

5.1.5.4 RETAILER ACCOUNTING AND BILLING SYSTEM

The Successful Vendor will be required to provide a retailer accounting and billing system for online and instant ticket activities that, at a minimum, provides for the following capabilities:

- Retailer ability to obtain daily, weekly and previous week billing activity at the terminal level, including all related online and instant sales, cashes, commissions and adjustments.
- Retailer ability to review and print the instant ticket pack level detail for packs in confirmed, activated or settled status within an accounting week.
- TELC staff ability to inquire on a variety of search criteria, such as billing week, retailer number, date range, etc. and to print detailed and summary statements for both individual retailers and corporate accounts for current and up to 52 prior accounting periods.
- TELC staff ability to enter debit and credit adjustments to a retailer's account.

- TELC staff ability to review and print deferred instant ticket liability (instant tickets activated but not yet settled, less commissions) activity for a specific retailer or a group of retailers for any date range within the 52 prior billing weeks.
- Creation of a retailer statement file in an XML format or other customized format as the TELC may require from time to time. The TELC is very interested in electronic transmission of retailer billing statement information.
- The System is required to produce a weekly Electronic Funds Transfer (EFT) file creation for processing of funds to/from retailer bank accounts by the TELC. The System should have the ability to produce an EFT transaction file for all or specific retailer(s) on a less-than-full week basis. The System must allow for verification and auditing functions to be performed by the TELC before releasing transactions to/from the bank.

Provide details in this section as to how the proposed software will accomplish retailer accounting, billing, and funds transfer. Describe its ability to interact with other system modules. Describe the basic operator requirements to accomplish each, including screens and menus, if applicable.

5.1.5.5 IRS TAX REPORTING SYSTEM

The Successful Vendor will be required to provide the data files necessary to meet annual IRS tax reporting and remittance requirements. Describe this process and any required TELC intervention.

5.1.5.6 INSTANT GAME FILE MAINTENANCE

The Successful Vendor will be required to load instant game related files to the

System. These files will include at a minimum, game start/end parameters, prize validation information, pack information and periodic file updates to be received no less frequently than daily from the instant ticket vendor.

The System must be able to provide pack status history information.

5.1.5.7 MANAGEMENT REPORTS

The TELC is seeking ways to utilize the data that will exist on the System for purposes of enhanced management reporting capabilities.

A Vendor should describe in detail its proposed System reporting tools and capabilities to provide efficient and effective management reporting capabilities. The proposal should address hardware and reporting functionality.

5.1.6 INTERNAL CONTROL SYSTEMS (ICS)

The Successful Vendor must install and maintain an ICS system to verify and confirm all transactions processed and all prizes paid. The Successful Vendor must provide the hardware to house the ICS application as well as all necessary software.

The Successful Vendor will be required to provide to the TELC a file, no less frequently than daily, of all transactions processed on the System for verification procedures. The Successful Vendor will also be required to provide files immediately to the TELC or its ICS vendor after all online draw closes occur.

A Vendor should propose its solution to ensure the file transfer is timely, complete, secure, and that it provides for ease of balancing of activity between the gaming and ICS systems. The TELC is very

interested in electronic file transfer capabilities for this function.

5.2 OPERATIONAL SERVICES

The Successful Vendor will have certain operating responsibilities, while the TELC will retain overall management and guidance of the entire gaming operation. Those functions for which the Successful Vendor, at its own cost, will be directly responsible, and which should be addressed in the Proposal, are as follows:

5.2.1 RETAILER TRAINING

When a new retailer is approved, the Successful Vendor must provide a comprehensive classroom training program in the use of appropriate retailer terminals as well as training on both the online and instant products. The Successful Vendor will also be responsible for retraining retailers at the request of the TELC. Describe your training program, including, but not limited to, the start-up period. At a minimum address the following:

- Length of training;
- Topics to be discussed;
- Method of delivery;
- Procedure for tracking attendance;
- Who will deliver the training (Successful Vendor or outside source); and
- Provide a sample retailer manual (indicate what other materials might be provided).

5.2.2 TELC STAFF TRAINING

The Successful Vendor will be responsible for training the TELC sales and administrative staffs in the use of all retailer terminals. Describe your training program, including but not limited to the start-up period. At a minimum address the following:

- Retailer terminal operation;
- Prize payment;

- Retailer master file maintenance;
- Retailer accounting;
- Prize liability monitoring; and
- Provide a user manual for TELC staff.

5.2.3 MARKETING SUPPORT

The TELC will require the Successful Vendor to play a significant role in its marketing program. On an ongoing basis, it will be responsible for providing marketing support for all current online games, as well as for conducting research on possible future games and making recommendations for the TELC's approval. At the request of the TELC, the Successful Vendor will be involved in the development, maintenance and growth of the retailer network and will also be responsible for suggesting possible incentive programs for online game products. The Successful Vendor will also evaluate sales data, the development of trend analysis and the implementation of programs in response to that data. Describe your expertise in this area and your proposed approach to this function.

In order to assist the TELC in responding to changes in the industry and the demands of the marketplace, a Vendor should describe its approach to the expanding industry including, but not limited to, the following:

- In-lane ticket sales; and
- New game development (including your existing library of games for both terminal and monitor games).

5.2.4 HOTLINE SERVICES

The Successful Vendor will be required to provide a retailer hotline for purposes of receiving and responding to inquiries and requests from retailers. The hotline will be housed in the space leased from the TELC at the TELC's headquarters location or at the Successful Vendor's main data center

located in the State of Tennessee. Describe your approach to this function.

A Vendor's Proposal must address how the hotline services will be staffed and managed to ensure timely, professional and accurate response to all calls, especially during the start-up period.

The hotline should include, at a minimum, the following features:

- Telephone call management equipment must be capable of handling all incoming calls on toll free circuits. If all circuits are busy, a pre-recorded message must be played and the calls must be queued.
- The call management system must be able to create statistical reports, to be made available to the TELC upon request.
- The system must allow for recording and monitoring capabilities by the Vendor and/or TELC staff.
- Hotline equipment must have a display of line and drop status allowing the hotline operator to see if a line is operational, if a drop is polling, if a drop or line is down, and if a retailer is signed on or not signed on.
- Hotline staff must be trained to perform diagnostic tests to determine network communications, retailer or terminal problems.
- The TELC will maintain a separate hotline for retailer accounting problem resolution. The Successful Vendor will be responsible for the telecommunications costs for both lines and must indicate how the two systems will interface. The TELC will consider a single toll-free

circuit that will allow retailers to choose their call destination.

5.2.5 EQUIPMENT MAINTENANCE AND SUPPLIES

The Successful Vendor must establish procedures for the maintenance and repair of the central system hardware, network, printers, retailer operated terminals, claims terminals and management terminals. The Successful Vendor is required to have sufficient staffing levels to cover repair and maintenance functions of an anticipated load of 4,000 full service online terminals at start-up with a growth capacity of up to 10,000 full service online terminals, up to 3,000 color monitors and up to 3,000 mid-range terminals. The number of terminals in operation will vary from start-up until the lottery is fully operational. The Successful Vendor must provide staffing support that is appropriate for the number of terminals in operation at all times. The Successful Vendor will be required to respond to all service requests within two (2) hours in metropolitan areas and within four (4) hours in non-metropolitan areas within the state, as determined by the TELC. The Successful Vendor will also be responsible for providing all supplies to the TELC and all active retailers included but not limited to, ticket stock, ribbons, play slips, play stations, pens, pencils and neon or equivalent signs. Cash drawers are to be furnished at a cost to the retailers. Describe your experience with and provide a detailed proposed plan and the approach you would use to handle this function. Include the following:

- The staffing levels, including during start-up of the System and online lottery games;
- The staffing levels for covering the repair functions;
- The planned location of staff; and
- Repair functions that might be handled by the TELC's marketing

representatives and the training required.

5.2.6 CORPORATE ACCOUNTS

A Vendor's Proposal should address how it will cooperate with the TELC's corporate accounts personnel and describe special procedures that will be available to facilitate their marketing and accounting needs. Vendors must provide retailers access to all accounting functions on a specially designed, retailer-specific website.

5.2.7 RETAILER RECRUITMENT

Discuss the role of the Successful Vendors in retailer recruitment and the designation of retailers for online sales. While the TELC will maintain control over the contracting function, the Successful Vendor will be expected to become involved in the maintenance and growth of the retailer network including recruitment of minority-owned retailers, research, recruitment, development and maintenance of retailers for niche games.

5.2.8 TICKET STOCK AND PLAY SLIPS

The Successful Vendor will provide the ticket stock and play slips for the terminals. The ticket stock must be a premium, top coated, high sensitivity, gaming ticket grade. The requisite specifications are set out in Attachment F made a part hereof. Tickets will be a fixed length of 4.66 inches. Describe the size, readability/accuracy rate, etc. of the play slips proposed and provided.

5.2.9 PLAY STATIONS

The Successful Vendor will be responsible for the purchase, delivery and installation of a play station unit at each approved online retailer location.

- Each play station shall include storage for materials, an area to display posters, winning numbers and related lottery information, space for play slips, brochures and pencils and space for customers to complete play slips.
- A sketch or photograph of the unit proposed for use must be provided.
- Vendors must describe the materials to be used in the construction of the unit, i.e., plastic, wood or metal.
- The Successful Vendor will be required to provide retailers with a supply of pencils or writing instruments for the completion of play slips.
- The TELC reserves the right to approve the design of the play station, including the colors.

5.2.10 ELECTRONIC DISPLAYS

The Successful Vendor must provide electronic displays for terminals. The Successful Vendor will be responsible for delivery and installation of these electronic displays at each approved online retailer location, as needed.

5.2.11 NEON OR EQUIVALENT SIGNS

The Successful Vendor will be responsible for the purchase, delivery and installation of a neon sign or equivalent at each approved online retailer location. A sketch or photograph of the unit proposed for use must be provided. The TELC reserves the right to approve the design and colors of the sign.

5.3 SECURITY PLAN

The TELC will require the Successful Vendor to maintain a security program that protects the integrity of the transactions processed and protects

the physical environment that houses the system's software and hardware components.

A Vendor should describe in detail its approach to ensure that these security control objectives will be met. The TELC will require the Vendor to have a Statement of Auditing Standards (SAS) No. 7 Third Party Controls Review performed by an independent CPA firm at the Vendor's expense.

The plan approach should address, at a minimum, the following:

- Physical security of all facilities;
- The security features of the System proposed;
- Employee security, including background checks of officers, employees and subcontractors;
- Game security, including online game security controls and instant ticket validation controls. At a minimum, game security features and controls should include:
 - Pool summary data immediately following pool closing.
 - At game cutoff, create a report (printed or electronic) at the management terminals showing (a) time of day, (b) net game pool and (c) total of wagered numbers.
 - Online ability for TELC to select, sort, view and list a detailed transaction listing.
 - The ability to establish and monitor liability limits for fixed payoff games and initiate the cut-off of wagering as required.
 - All records time stamped to the nearest second.
 - Only completed transactions are recorded on the system. Transactions cannot be duplicated.
 - Tickets cannot be duplicated on terminal equipment.

- Control of access at file and application levels.
- All commands executed by system operators and any system warning or problem messages must be logged immediately on a numerically sequenced console log file, a copy of which will be provided daily or more frequently as requested by the TELC.
- Security features and control of ticket stock;
- Adequate organizational segregation of duties;
- Restriction of access to gaming system processing functions, files and programs to authorized users only;
- Physical security restrictions to preclude unauthorized persons from accessing the data center site or operations;
- Development of control procedures for software change management and documentation, including updating of service and operational manuals, written procedures and updating of the source code maintained in an escrow account;
- Development of data security requirements, including data encryption, transaction logging with time stamp, terminal and central system re-send and ticket printing confirmation;
- Ensuring that every transaction is written to at least three media before authorization is given to print the ticket, which includes the primary and secondary central systems and the hot backup system at the alternate site;
- Requiring the use of User ID/password for access to authorized software and related programs residing in the terminals and management workstations, and to provide an audit trail of sign-on attempts and

successes on non-erasable/modifiable magnetic media;

- Use of validation algorithms for inquiry, validation and reporting on any winning wagers;
- Serial number encryption for external serial numbers printed on the tickets;
- Establishment of an escrow account for storing of software source code offsite; and
- Establishing appropriate network security firewalls to prevent unauthorized access to the gaming or communications network, and to monitor and prevent viruses from the attacking the system.

5.4 TELEMARKETING AND TICKET ORDERING AND INVENTORY CONTROL SYSTEM

The Successful Vendor will provide the telemarketing and ticket ordering software and systems. Telemarketing sales and ordering functions will be handled by the TELC's employees. The Proposal should describe, at a minimum, how the software accomplishes the ticket order entry processing for:

- Retailer initiated orders;
- Emergency orders;
- Reissues of returned packs;
- Capability to restrict a retailer from ordering;
- Tracking and confirmation of pack deliveries;
- Real-time monitoring of warehouse inventory;
- Initial allocations for new games;
- Sales and account information available to telemarketers; and
- Call features and scheduling.

At a minimum, the system must have the capability to perform as follows:

- Handle all instant ticket processes and functions from any instant ticket printer.

- Accept and process ticket inventory data files produced by a secondary instant ticket vendor for up to four (4) instant games a year for purposes of warehousing and distribution to retailers.
- Create and provide inventory data files of packs ordered, distributed and returned for transfer to the online gaming system on a daily, or more frequent, basis as determined by the TELC.
- Accept and process ticket inventory data files (i.e., pack statuses, etc.) and retailer file maintenance data files from the online gaming system on a daily, or more frequent, basis as determined by the TELC.
- Allow the creation of ad-hoc reports online, and to print certain reports as may be desired by the user.
- Restrict system access to only authorized TELC staff and others as approved by the TELC.

A Vendor must describe in its response the following:

- How the system will allow the TELC staff appropriate access via proposed hardware/software communication configuration to the software applications;
- A proposed plan for interfaces between the instant inventory system and an online gaming system;
- A proposed backup system plan to ensure little or no interruption of services, and the business recovery plans to return to normal processing;
- The proposed security plan including system software (i.e., passwords, data transfer integrity, etc.) and physical controls.

5.5 OTHER REQUIREMENTS

Vendors must list in this section other significant services, procedures, materials, supplies, programs, policies, equipment, facilities, etc., necessary for the successful daily operational aspects of the System, even though there are no specific requirements for those items listed in the RFP. The Successful Vendor is not released from the responsibility of providing all needed items to make the System successful.

[Remainder of page intentionally left blank.]

PART VI - COST

6.1 INTRODUCTION

The TELC will offer a compensation package that is based on a percentage of sales. A Proposal must meet both the immediate and long-term needs of the TELC. Therefore, the objective of this RFP is to develop a program of compensation that rewards the Successful Vendor for excellent performance while ensuring that the TELC will achieve its desired goals regarding start-up of the lottery and an integrated lottery System including online lottery game operations, net revenue maximization and operating efficiency.

6.2 PRICING FORMULA

The method of compensation that will be utilized is a percentage of total net sales achieved by the TELC during the term of the Contract. A Vendor must state the percentage of total sales required for compensation to accomplish the tasks specified in the Proposal. The single cost quotation should be presented on a separate, signed page and be expressed as a numeric percentage of net sales carried to no more than four (4) decimal places. For example, 1.0000%.

Vendors are reminded that the cost quotation should cover all of the products and services covered by this RFP, as well as other services deemed necessary by the Vendor, to be provided by the Successful Vendor during the seven (7) year term of the Contract. ALL PRICES QUOTED ARE APPLICABLE FOR SEVEN (7) YEARS FROM FEBRUARY 10, 2004 OR SUCH EARLIER START-UP DATE AS MAY BE ACHIEVED.

Each Vendor shall assume in its pricing the use of its top-of-the-line terminal; if you would like the TELC to consider some other option, please so indicate.

6.3 DETERMINATION OF NET SALES

At the end of each full week of sales after start-up, total net sales during the calendar week (or since start-up for the first week) will be calculated to

determine the amount subject to compensation. The following factors will apply:

- Instant ticket sales shall be equal to the total number of tickets activated during the week, less any tickets returned.
- For instant games that include “free ticket” prizes, the sales calculation will be reduced to reflect actual sales revenue.
- Total sales will be reduced by the number of defective instant tickets returned or stolen tickets reported by retailers during any given week.
- Online games shall be equal to all tickets sold during the week, less any tickets cancelled.
- When sales are the result of advance purchases, the amount of advance purchases shall be counted as sales in the weeks when the purchase occurred.
- Total sales will be reduced by the number of promotional tickets issued by the TELC in any given week.

6.4 PAYMENT

Upon determination of the amount due to the Successful Vendor for any week, payment (less applicable damages and penalties which may be deducted) will be processed in an expedited manner. Vendors may propose any alternative methods or schedules of payments, which will be considered during contract negotiations with the apparent Successful Vendor.

6.5 PROGRAM ENHANCEMENTS

The Successful Vendor may be requested by the TELC to perform tasks, provide equipment or otherwise perform in a manner that was not originally contemplated in the Contract. By mutual agreement, those functions may be performed for a specific fee to be mutually agreed upon. This procedure is not intended to avoid a competitive solicitation for goods and services that might appropriately be provided by other potential suppliers. However, the TELC may decide to separately procure any option not covered in the Successful Vendor's Proposal. The Successful

Vendor will provide enhancements to the instant tickets system and the TELC's back-office management system to the TELC for testing within ninety (90) days of mutually agreed upon specifications or as otherwise agreed in writing.

The TELC anticipates participating in promotional events throughout the State of Tennessee. Describe your solution to provide portable terminals for these events. In addition, the Successful Vendor will provide programmable thermal branding for all image readers.

As part of the basic compensation that has been proposed by the Successful Vendor, all items represented in the Proposal must be provided for unless specifically identified as options. If programs, equipment or services represented in the Proposal are not clearly indicated as options, the TELC will rightfully assume that the cost is included in the percentage of sales quotation in the Proposal.

6.6 SUBMIT COST PORTION OF PROPOSAL SEPARATELY

All copies of the cost portion of the Proposal required under this Part VI must be submitted in sealed and labeled envelopes separate from the information required by Parts IV and V of this RFP. Any Proposal which fails to adequately separate the cost portion of the Proposal from the other information required by this RFP may be considered non-responsive and rejected by the TELC.

[Remainder of page intentionally left blank.]

ATTACHMENT A

VENDOR CERTIFICATION

ONLINE SERVICES AND LOTTERY GAMING SYSTEM AND SERVICES

I hereby do certify as follows:

1. the initial prices and other terms and provisions included in the Proposal submitted by _____ (the "Proposing Vendor") are accurate and binding for 180 days from the Proposal due date (the "Proposal Offer Period");
2. all charges are, to the best of my knowledge, accurate and complete;
3. the Proposing Vendor acknowledges and agrees that this Proposal will be considered valid and irrevocable for the Proposal Offer Period and, if an award is not made within the Proposal Offer Period or if a Contract with the Successful Vendor is for any reason not executed within the Proposal Offer Period, it shall be incumbent upon the Proposing Vendor to notify the designated contact person identified in Section 2.1 of this RFP in writing if it does not want its Proposal to be further considered beyond the Proposal Offer Period (i.e., in the event of a breach or termination, the TELC may decide to return to the remaining Vendors' Proposals). Failure on the part of the Proposing Vendor to notify the designated contact person identified in Section 2.1 of this RFP will mean that its Proposal remains valid even after the Proposal Offer Period;
4. the cost and other terms and provisions contained in the Proposal accurately reflect the Proposing Vendor's total proposed cost, including any applicable discounts, and the Proposing Vendor would deliver the services and related items for that amount and according to those terms and provisions if the TELC wanted to accept the prices and other terms and provisions described in its Proposal without negotiation;
5. all inquiries to the TELC and other pre-Proposal review and evaluation efforts have been completed and that no extra costs or payments to any entity, including this Proposing Vendor, will be allowed for any miscalculation, deficiency, oversight and failure to make suggestions regarding possible additional needs for desired features, or any other difference in cost if later discovered;
6. by submission of this Proposal, the Proposing Vendor agrees to fully comply with all requirements of the RFP, and its separate parts, and any deviation noted in the Proposing Vendor's submission may be the basis for rejection of its Proposal by the TELC without recourse;
7. the Proposing Vendor has read and understands the Act and all of the requirements contained in the RFP and any amendments thereto, the responses to written questions submitted by Vendors on or before October 8, 2003 and its Proposal, and agrees to be bound by all the terms and conditions contained in each of these documents, without exception;
8. the Proposing Vendor has taken appropriate steps to completely and fully familiarize itself with the requirements of the RFP in order to render full performance under any resulting relationship between the TELC and the Proposing Vendor; and

9. the Proposing Vendor had the opportunity to submit written questions regarding the RFP and thereby address any concerns related to the RFP, and, therefore, the Proposing Vendor has availed itself of every opportunity to understand its obligations contained in the RFP and any amendments thereto, the response to written questions and the Proposal.

(Signature of Authorized Representative)

(Print Name)

(Title)

(Date)

ATTACHMENT B

PROPOSAL SIGNATURE AND CERTIFICATION

I certify that this Proposal is made without prior understanding, agreement, or connection with any corporation, firm or person submitting a Proposal for the same materials, supplies, equipment or services and is in all respects fair and without collusion or fraud. I understand collusive bidding is a violation of State and Federal Law and can result in fines, prison sentences and civil damage awards. I understand and agree to abide by all conditions of the RFP and this Proposal and certify that I am authorized to sign this Proposal for _____ (name of company submitting Proposal).

Date: _____

Authorized Signature: _____

Print Name: _____

Title: _____

Company Name: _____

ATTACHMENT C

CONTRACT COMPLIANCE AND FINANCIAL DISCLOSURE FORM

For any subcontractor that comprises at least ten percent (10%) of the cost of the Vendor's Proposal ("10% Subcontractor"), disclose all the same information for each 10% Subcontractor as if each 10% Subcontractor were itself the Vendor. In addition, disclose all of the same information for each member of a joint venture, a strategic partnership or a prime contractor team as if each such joint venturer, strategic partner or member of a prime contractor team were itself the Vendor (Vendor and all members of a joint venture, a strategic partnership or a prime contractor team are sometimes herein referred to as "Vendor Team.").

[These pages may be copied and used as needed]

PLEASE PROVIDE THE FOLLOWING INFORMATION:

1. Name of Business:
2. Type of legal entity and the state under whose laws the business entity is organized:
3. Address:
 - a. All prior addresses for the prior ten (10) years:
4. Telephone Number, including area code:
5.
 - a. List any trade names or assumed names used:
 - b. List all states where each name is or has been used:
 - c. Attach verification of authorization to conduct business in the State of Tennessee.
6. List the name, address, area code and telephone number, and social security number of the Vendor's officers, directors and each stockholder if the Vendor is a corporation (in the case of a publicly-traded corporation, only those stockholders known to the corporation to own beneficially one percent (1%) or more of such corporation's securities), as well as the same information for a parent corporation of such Vendor corporation if the parent corporation's shares are publicly traded; if the Vendor is a trust, the trustee and all persons entitled to receive income or benefits

from the trust; if the Vendor is an association, the members, officers and directors; if the Vendor is a partnership or joint venture, all general partners, limited partners or joint venturers:

a. Name:

Relationship to Vendor:

Address:

Telephone number, including area code:

Social Security number:

b. Name:

Relationship to Vendor:

Address:

Telephone number, including area code:

Social Security number:

c. Name:

Relationship to Vendor:

Address:

Telephone number, including area code:

Social Security number:

7. Disclose all the states and jurisdictions (domestic and foreign) in which any member of the Vendor Team does business and the nature of the business for each such state or jurisdiction:
8. Disclose all the states and jurisdictions (domestic and foreign) in which any member of the Vendor Team has contracts to supply gaming goods or services, including, but not limited to, lottery goods and services, and the nature of the good or services involved for each such state or jurisdiction.
9. List all states and jurisdictions (domestic and foreign) in which any member of the Vendor Team has applied for, sought renewal of, has received, has been denied, has pending, or has had revoked a lottery or gaming license or lottery contract of any kind or has had fines or penalties assessed to his or its license, contract or operation and the disposition of such in each such state or jurisdiction. Include all facts or circumstances underlying the revocation or non-renewal of any

lottery or gaming license or contract or any lottery or gaming license or application that has been either denied or is pending and has remained pending for more than six (6) months:

a. State:

Type of license:

Status of license:

Fines or penalties:

Circumstances:

b. State:

Type of license:

Status of license:

Fines or penalties:

Circumstances:

c. State:

Type of license:

Status of license:

Fines or penalties:

Circumstances:

10. For each member of the Vendor Team, if applicable, list the details of any finding or plea, conviction or adjudication of guilt in a state or federal court, or in another jurisdiction, for any felony or any other criminal offense other than a traffic violation, including, but not limited to, felonies related to the security or integrity of a lottery by:

Charge:

Date of proceeding:

Custodian of records concerning this proceeding:

Outcome of proceeding:

Charge:

Date of proceeding:

Custodian of records concerning this proceeding:

Outcome of proceeding:

11. For each member of the Vendor Team, if applicable, list the details of any finding or plea, conviction or adjudication of guilt in a state or federal court, or in another jurisdiction, of any present employee, or past employee within ten (10) years for any felony or misdemeanor involving gambling, theft, computer offenses, forgery, perjury, dishonesty or for unlawfully selling or providing a product or substance to a minor by:

Charge:

Date of proceeding:

Custodian or records concerning this proceeding:

Outcome of proceeding:

Charge:

Date of proceeding:

Custodian or records concerning this proceeding:

Outcome of proceeding:

12. For each member of the Vendor Team, if applicable, list the details of any bankruptcy, insolvency, reorganization or corporate or individual purchase or takeover of another business, including bonded indebtedness, or any pending litigation:

- a. Filing or action:

Date of filing or action:

Court of filing or action:

Date of discharge if bankruptcy:

Pending litigation:

- b. Filing or action:
- Date of filing or action:
- Court of filing or action:
- Date of discharge if bankruptcy:
- Pending litigation

13. List the business entities that are a part of the Vendor Team, and list the Fiscal Years for each team member. Complete an Authorization For Investigation for each. (See Attachment D.)
14. List all the individuals constituting the Vendor Team who will work on the TELC Contract. Complete a Consent Form for each. (See Attachment E.)
15. Does the Vendor Team or any individual member thereof have an ownership interest in any entity that has supplied consultation services under contract to the TELC regarding this RFP? If *yes*, please provide details.
16. Does any “public officer” (as defined in Tenn. Code Ann. § 8-50-501(a)) or employee of such public officer have an ownership interest of one percent (1 %) or more in any member of the Vendor Team? If *yes*, please provide details.
17. List any conflict of interest with the products, promotions and goals contemplated by the TELC that could result from other projects in which the Vendor Team or any of the staff members designated to work on this project are involved. Failure to disclose any such conflict may be cause for Contract termination or disqualification of the Proposal.
18. List all lobbyists and consultants working on behalf of the Vendor Team in connection with this Proposal or any subsequent Contract.

Certification

I, _____, hereby certify that I am duly authorized to act on behalf of the Vendor and Vendor Team. In that capacity, I hereby certify that the Vendor and all members of the Vendor Team have filed appropriate tax returns as provided by the laws of the State of Tennessee. I further warrant that the information contained in this Contract Compliance and Financial Disclosure Form is true and complete, and acknowledge that a finding that it is not true or complete may result in a cancellation of the Contract.

I further certify that the Vendor and each member of the Vendor Team recognizes and acknowledges that there are certain limitations on their activities, now and in the future, including, but not limited to, limitation on certain political contributions, limitation of the ability to submit proposals, in response to subsequent request for proposals issued by the TELC, limitation on the ability to enter into or perform contracts or other arrangements with certain third parties, and limitation on the ability to purchase lottery tickets. The restrictions on the ability to purchase lottery tickets and entering into contracts or other arrangements apply to the employees of the Vendor and the members of the Vendor Team as well as the members of all such employees' households, and the Vendor and each member of the Vendor Team will enforce such restrictions upon its employees and subcontractors.

Date: _____

Printed Name: _____

Signature: _____

Title: _____

ATTACHMENT D

AUTHORIZATION FOR INVESTIGATION

I, _____, hereby authorize the Tennessee Education Lottery Corporation or its designee to conduct a Vendor background investigation (Tenn. Code Ann. § 4-51-124(b)) including the criminal and financial credit history of _____. I hereby release all organizations, individuals, agencies, and other employees and agents from any liability that may result from their furnishing such information and authorize all organizations, individuals, agencies, and their employees and agents contacted by the Tennessee Education Lottery Corporation or its designee to provide such information. A photocopy of this release will be valid as an original thereof, even though said photocopy does not contain an original writing of my signature.

Business Address: _____

City/State/Zip Code: _____

Printed Name: _____

Signature: _____

Title: _____

Date: _____

ATTACHMENT E

CONSENT FORM

I hereby authorize the Tennessee Education Lottery Corporation to receive any criminal history record information pertaining to me that may be in the files of any criminal justice agency.

Full Name Printed
(First, Middle, Last - ***no initials***)

Street Address

City

State

Zip

Sex

Race

Date of Birth

SSN

Signature

Notary

Date: _____

ATTACHMENT F

PAPER SPECIFICATIONS

Type: Thermal, no ground wood allowed. No smudges, water marks, embossed or printed patterns shall be present.

Initiation: 65.5°C (150°F)

Functional: 85°C (185°F)

Image Intensity: 5.2 @ 149°C (300°F), average (based on average BNL opacimeter readings).

Basis Weight: 20.0 ± 1.0 lbs. (75.20 ± 3.76 g/m²); Caliper target 0.0032 in. (0.08 mm).

Caliper (Thickness): 0.0030 to 0.0037 in. (0.08 to 0.09 mm).

Reflectance: The entire stock shall have a 75% minimum reflectance as measured with a Macbeth PCM II print contrast meter. The face side of the stock must be the thermal coated side.

Dirt in Paper: Not to exceed 10 parts per million.

Smoothness:

Face Side (Thermal): 65 maximum (Sheffield)

Reverse Side: 120 maximum (Sheffield)

Stiffness:

Machine Direction: 100 mg (Gurley) nominal

Cross Direction: 80 mg (Gurley) nominal

Tear Resistance: The tear resistance is performed using Elmendorf method per TAPPI T414om-88 on an average of no less than 10 measurements.

Machine Direction: 37-70 g (Elmendorf)

Cross Direction: 40-70 g (Elmendorf)

Test Conditions:

Temperature: 73.4 ± 1.8°F (23 ± 2°C)

Relative Humidity: 50 ± 5%

Durability: Separate samples with black printed characters shall be exposed to the following durability tests for a period of 24 hours, except milk at 12 hours. The maximum reflectance of the black numbers shall not exceed more than 30% as processed on the Macbeth PCM II Optical tester using a barium sulfate plaque as 100% standard reflectance. Regions on the paper which have been blushed by the thermal printing process shall not have their reflectance increased to more than 30%, when measured by the

Macbeth PCM II, when exposed to the following conditions. Regions on the paper which have not been blushed by the thermal printing process shall not have their reflectance changed by more than 5%, as measured by the Macbeth PCM II, when exposed to the following conditions.

- 50°C
- 40 watt fluorescent light, height 1.0 inch from the paper.
- Placed between two PVC sheets with a 15 lb. weight on top.
- Immersed in water at room temperature.
- Immersed in whole milk at room temperature.
- Coated with butter or margarine at room temperature.
- Coated with lanolin softeners at room temperature.

Ticket Length: 4.66" fixed length

ATTACHMENT G

EBO FORMS

(See attached forms.)

**TENNESSEE EDUCATION LOTTERY CORPORATION
EQUAL BUSINESS OPPORTUNITY PROGRAM**

EBO FORM A

**CERTIFICATION OF EFFORTS TO ACHIEVE MINORITY-OWNED BUSINESS PARTICIPATION
(TO BE SUBMITTED WITH THE BID/PROPOSAL)**

Company Name: _____
RFP/Bid No.: _____

I certify that the following efforts were made to achieve minority-owned business participation:

- a) Provided written notices to minority-owned businesses who have the capability to perform the work of the contract or provide the service **Yes** ___ **No** ___
- b) Direct mailing, electronic mailing, facsimile or telephone requests **Yes** ___ **No** ___
- c) Provided interested minority-owned businesses with adequate information about plans, requirements and specifications of the contract in a timely manner to assist them in responding to a solicitation **Yes** ___ **No** ___
- d) Allowed minority-owned businesses the opportunity to review bid specifications, blue prints and all other bid/RFP related items at no charge, and allowed sufficient time for review prior to the bid deadline **Yes** ___ **No** ___
- e) Acted in good faith with interested minority-owned businesses, and did not reject minority-owned businesses as unqualified or unacceptable without sound reasons based on a thorough investigation of their capabilities **Yes** ___ **No** ___
- f) Did not impose unrealistic conditions of performance on minority-owned businesses seeking subcontracting opportunities **Yes** ___ **No** ___
- g) Additionally, I contacted the referenced minority-owned businesses and requested a bid/proposal. The responses I received were as follows:

Name and Address of Minority-Owned Business	Type of Work And Contract Items, Supplies or Services to be Performed	Response	Reason for Not Accepting Bid/Proposal

(If additional space is required this form maybe duplicated)

If applicable, please complete the following:

I hereby certify that minority-owned businesses were "Unavailable" as defined in the EBO Program to submit bids to provide goods and services for this RFP/Bid's purpose.

Reasons for the "Unavailability":

Submitted by:

Authorized Representative Signature

Title

Date

A copy of this form may be obtained on the Corporation's website: www.tnlottery.gov.

**TENNESSEE EDUCATION LOTTERY CORPORATION
EQUAL BUSINESS OPPORTUNITY PROGRAM**

EBO FORM B

**MINORITY-OWNED BUSINESS UTILIZATION PLAN
(TO BE SUBMITTED WITH THE BID/PROPOSAL)**

Company: _____
RFP/Bid No.: _____

I, _____, do certify that on the following procurement opportunity,
(Vendor)

_____, the following minority-owned businesses will be utilized as
(Opportunity)

subcontractors, vendors, suppliers, or provide professional services:

Name	Description of Work	Contract Value	Joint Venture (Yes/No)	% of Minority Ownership	Certified (Yes/No)	Certification Agency

(If additional space is needed this form may be duplicated)

TOTAL CONTRACT VALUE: _____

TOTAL % OF MINORITY BUSINESS PARTICIPATION: _____

The successful bidder/proposer is required to finalize and submit this form prior to award of a contract. Joint Venture Agreements, partnering agreements and all pertinent information must be presented prior to contract award. This information will be incorporated into the contract and will become a contractual obligation of the successful bidder/proposer. The finalized EBO Form B shall not be changed or altered after award of a contract without approval from the Corporation. The Vendor is required to provide written notice describing the reasons for the change to the Corporation to obtain approval of any changes to EBO Form B.

Submitted by:

Authorized Representative Signature

Title

Date

A copy of this form may be obtained on the Corporation's website: www.tnlottery.gov.

TENNESSEE EDUCATION LOTTERY CORPORATION
EQUAL BUSINESS OPPORTUNITY PROGRAM

EBO FORM C

**STATEMENT OF INTENT TO PERFORM AS A SUBCONTRACTOR OR
PROVIDE SUPPLIES OR SERVICES
(To Be Submitted Prior to Contract Award)**

Company Name: _____

RFP/Bid No.: _____

I, _____, intend to provide supplies or services in connection with the
(Subcontractor/Provider)
above **RFP/bid/proposal** request as a minority-owned business.

I am prepared to perform a “**Commercially Useful Function**” in connection with the above project.

The following are the work items to be performed:

at the following price: \$ _____.

If applicable, please complete the following:

I have or will enter into a formal agreement with _____ for the above-
(Company)
described scope of work, supplies or services conditioned upon the execution of a contract
with the Tennessee Education Lottery Corporation.

I hereby certify that this statement is true and correct:

Business Information:

Business: _____

Address: _____

Phone: _____

Facsimile: _____

Submitted by:

Authorized Representative (Print)

Title

Authorized Representative's Signature

Date

A copy of this form may be obtained on the Corporation's website: www.tnlottery.gov.

**TENNESSEE EDUCATION LOTTERY CORPORATION
EQUAL BUSINESS OPPORTUNITY PROGRAM**

EBO FORM D

**STATEMENT OF PAYMENTS TO MINORITY-OWNED BUSINESSES
(TO BE SUBMITTED EACH MONTH AND WITH FINAL PAYMENT REQUEST)**

Company Name: _____

Name/Contract No.: _____

Payment Request Number: _____

Name of Firm	Description of work	Total Amount Due This Month	Total Dollars Paid To-Date	% of Contract Completed	Start Date of Contract	End Date of Contract

(If additional space is needed this form may be duplicated)

I hereby certify that this statement is true and that above payments have been made.

Business Information:

Submitted by:

Business: _____

Authorized Representative (Print)

Address: _____

Title

Phone: _____

Authorized Representative's Signature

Facsimile: _____

Date

A copy of this form may be obtained on the Corporation's website: www.tnlottery.gov.